



ANNUAL REPORT 2011

POWERING TOMORROW



CONTENTS

01 DIRECTORS' REPORT	10 STATEMENTS OF CHANGES IN EQUITY
04 STATEMENT BY DIRECTORS	13 CONSOLIDATED CASH FLOW STATEMENT
05 INDEPENDENT AUDITORS' REPORT	14 NOTES TO THE FINANCIAL STATEMENTS
07 BALANCE SHEETS	
08 INCOME STATEMENTS	
09 STATEMENTS OF COMPREHENSIVE INCOME	

Cover:

Jananto Brynner Soedadi
Group Risk Management Analyst,
Finance, SP

DIRECTORS' REPORT

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 March 2012.

Directors

The directors in office at the date of this report are as follows:

Mr Ng Kee Choe	
Mr Alan Chan Heng Loon	
Mr Ho Tian Yee	
Mr Tan Chee Meng	
Mr Bobby Chin Yoke Choong	
Prof Jeremy Guy Ashcroft Davis	
Mr Choi Shing Kwok	
Mrs Oon Kum Loon	
Tan Sri Mohd Hassan Marican	
Mr Tan Puay Chiang	(Appointed on 16 April 2012)
Mr Wong Kim Yin	(Appointed on 1 January 2012)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

Name of director and related corporations in which interests (fully paid ordinary shares unless otherwise stated) are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
Mr Ng Kee Choe		
Singapore Telecommunications Limited shares	3,080	3,080
SP AusNet securities*	195,883	195,883
PT Bank Danamon Indonesia Tbk shares	50,000	50,000
PT Bank Danamon Indonesia Tbk shares (Series B)	32,843	44,275
Mapletree Industrial Trust units	100,000	100,000
Mapletree Commercial Trust units	100,000	100,000
Mr Alan Chan Heng Loon		
Singapore Telecommunications Limited shares	2,970	2,970
SP AusNet securities*	125,000	125,000
Mapletree Industrial Trust units	9,000	9,720
Mapletree Commercial Trust units	-	23,000
Mr Ho Tian Yee		
Singapore Telecommunications Limited shares	2,850	2,850
Mr Tan Chee Meng		
SP AusNet securities*	62,500	62,500
Mapletree Commercial Trust units	-	200,000

DIRECTORS' REPORT

Name of director and related corporations in which interests (fully paid ordinary shares unless otherwise stated) are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
Mr Bobby Chin Yoke Choong		
Neptune Orient Lines Limited shares	29,489	29,489
SP AusNet securities*	25,000	25,000
Singapore Airlines Limited shares	2,000	2,000
Mapletree Industrial Trust units	120,000	129,600
Mapletree Commercial Trust units	-	100,000
Prof Jeremy Guy Ashcroft Davis		
SP AusNet securities*	105,000	105,000
Mr Choi Shing Kwok		
Singapore Telecommunications Limited shares	2,720	2,720
Mapletree Logistics Trust units	2,000	-
Mrs Oon Kum Loon		
Singapore Telecommunications Limited shares	2,720	2,720
SP AusNet securities*	75,000	75,000
Mapletree Industrial Trust units	8,000	8,000
Mr Wong Kim Yin		
Singapore Telecommunications Limited shares	190	190
Mapletree Industrial Trust units	280,000	280,000

* Stapled Group securities, each comprising one SP Australia Networks (Transmission) Ltd share, one SP Australia Networks (Distribution) Ltd share and one SP Australia Networks (Finance) Trust unit.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Note 33 to the financial statements, and except that certain directors have received remuneration from related corporations in their capacities as directors of those related corporations and that professional fees are paid or payable for services rendered by a firm in which a director is a member of that firm.

DIRECTORS' REPORT

Share options

During the financial year, there were:

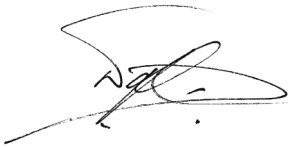
- (i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



MR NG KEE CHOE
Chairman



MR WONG KIM YIN
Group Chief Executive Officer/Director

31 May 2012


STATEMENT BY DIRECTORS

In our opinion:

- (a) the financial statements set out on pages 7 to 89 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2012 and the results, changes in equity and cash flows of the Group and of the results and changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

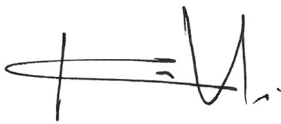
The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors



MR NG KEE CHOE

Chairman



MR WONG KIM YIN

Group Chief Executive Officer/Director

31 May 2012

INDEPENDENT AUDITORS' REPORT

Member of the Company
Singapore Power Limited

Report on the financial statements

We have audited the accompanying financial statements of Singapore Power Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 March 2012, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement of the Group and the income statement, statement of comprehensive income and statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 89.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2012 and the results, changes in equity and cash flows of the Group and the results and changes in equity of the Company for the year ended on that date.

INDEPENDENT AUDITORS' REPORT

Member of the Company
Singapore Power Limited

Report on other legal regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



KPMG LLP

*Public Accountants and
Certified Public Accountants*

Singapore

31 May 2012

BALANCE SHEETS

As at 31 March 2012

	Note	Group 2012 \$ million	Group Restated* 2011 \$ million	Company 2012 \$ million	Company Restated* 2011 \$ million
Non-current assets					
Property, plant and equipment	4	24,234.8	23,344.3	29.7	23.2
Intangible assets	5	3,866.9	3,823.1	6.3	5.1
Subsidiaries	6	-	-	6,567.9	6,583.9
Associates and joint venture	7	1,417.3	1,277.2	-	-
Other investments	8	11.9	6.6	359.0	359.0
Other non-current assets	9	545.3	410.9	21.3	21.4
Deferred tax assets	10	64.9	285.0	-	-
		30,141.1	29,147.1	6,984.2	6,992.6
Current assets					
Inventories	11	164.6	160.9	-	-
Trade and other receivables	12	1,471.8	1,550.5	6,071.8	6,441.9
Cash and cash equivalents	15	588.9	234.9	110.3	8.7
		2,225.3	1,946.3	6,182.1	6,450.6
Total assets		32,366.4	31,093.4	13,166.3	13,443.2
Equity					
Share capital	16	3,911.9	3,911.9	3,911.9	3,911.9
Reserves	17	(121.8)	(35.2)	-	-
Accumulated profits		4,546.2	3,966.4	4,894.9	4,857.1
Equity attributable to owners of the Company		8,336.3	7,843.1	8,806.8	8,769.0
Non-controlling interests		1,600.3	1,545.0	-	-
Total equity		9,936.6	9,388.1	8,806.8	8,769.0
Non-current liabilities					
Bank loans	18	3,577.3	4,428.2	-	-
Debt obligations	19	10,948.6	9,942.7	362.1	362.3
Other financial liabilities	20	1,782.6	1,829.5	18.4	18.2
Other non-current liabilities	21	993.1	882.7	3.9	1.6
Deferred tax liabilities	10	1,278.2	1,503.4	1.7	2.5
		18,579.8	18,586.5	386.1	384.6
Current liabilities					
Trade and Other Payables	24	2,120.6	1,884.1	3,932.6	4,206.9
Bank Loans	18	1,191.5	108.4	-	-
Debt obligations	19	313.0	892.1	-	-
Other financial liabilities	20	59.8	64.2	24.7	67.4
Provision for taxation		165.1	170.0	16.1	15.3
		3,850.0	3,118.8	3,973.4	4,289.6
Total liabilities		22,429.8	21,705.3	4,359.5	4,674.2
Total equity and liabilities		32,366.4	31,093.4	13,166.3	13,443.2

* See note 2.5 and note 41

The accompanying notes form an integral part of these financial statements.

INCOME STATEMENTS

Year ended 31 March 2012

	Note	Group		Company	
		2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Revenue	28	8,662.3	7,804.5	453.4	440.0
Other income	29	426.7	415.0	-	0.1
Expenses					
- Purchased power		(3,301.9)	(2,867.5)	-	-
- Depreciation of property, plant and equipment	4	(1,001.3)	(901.4)	(5.0)	(5.3)
- Amortisation of intangible assets	5	(96.0)	(97.4)	(1.4)	(1.1)
- Maintenance		(853.0)	(765.5)	(3.7)	(3.4)
- Staff costs		(948.6)	(772.4)	(33.8)	(30.9)
- Property taxes		(200.0)	(185.7)	(0.1)	(0.1)
- Other operating expenses		(384.0)	(365.6)	(18.5)	(14.0)
Operating profit		2,304.2	2,264.0	390.9	385.3
Finance income	30	51.5	72.9	25.6	45.2
Finance costs	31	(1,058.4)	(1,120.0)	(26.5)	(32.8)
Share of (loss)/profit of associates, net of tax		(14.1)	8.7	-	-
Share of profit of joint venture, net of tax	7	79.3	64.5	-	-
Profit before taxation		1,362.5	1,290.1	390.0	397.7
Tax expense	32	(253.9)	(198.0)	(2.2)	(1.1)
Profit for the year	33	1,108.6	1,092.1	387.8	396.6
Profit attributable to:					
Owner of the Company		929.8	924.0	387.8	396.6
Non-controlling interests		178.8	168.1	-	-
Profit for the year		1,108.6	1,092.1	387.8	396.6

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

Year ended 31 March 2012

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Profit for the year	1,108.6	1,092.1	387.8	396.6
Other comprehensive income				
Translation differences relating to financial statements of foreign operations	9.6	180.8	-	-
Effective portion of changes in fair value of cash flow hedges, net of tax	(285.1)	(307.0)	-	-
Reversal of changes in fair value of cash flow hedges included in profit or loss, net of tax	210.8	257.9	-	-
Reversal of changes in fair value of cash flow hedges on recognition of the hedged item on balance sheet, net of tax	11.2	16.7	-	-
Actuarial (loss)/gain on defined benefit plans, net of tax	(70.7)	3.4	-	-
Other comprehensive income for the year, net of tax	(124.2)	151.8	-	-
Total comprehensive income for the year	984.4	1,243.9	387.8	396.6
Attributable to:				
Owner of the Company	843.2	1,060.2	387.8	396.6
Non-controlling interests	141.2	183.7	-	-
Total comprehensive income for the year	984.4	1,243.9	387.8	396.6

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2012

Group	Share capital \$ million	Currency translation reserve \$ million	Hedging reserve \$ million	Other reserve \$ million	Accumulated profits \$ million	Total equity attributable to owner of the Company \$ million	Non-controlling interests \$ million	Total equity \$ million
At 1 April 2010	3,911.9	7.3	(122.0)	(56.7)	3,042.4	6,782.9	1,451.8	8,234.7
Total comprehensive income for the year								
Profit for the year	-	-	-	-	924.0	924.0	168.1	1,092.1
Other comprehensive income								
Translation differences relating to financial statements of foreign subsidiaries	-	141.1	-	-	-	141.1	39.7	180.8
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(209.4)	-	-	(209.4)	(97.6)	(307.0)
Reversal of changes in fair value of cash flow hedges included in profit or loss, net of tax	-	-	185.9	-	-	185.9	72.0	257.9
Reversal of changes in fair value of cash flow hedges on recognition of the hedged item on balance sheet, net of tax	-	-	16.7	-	-	16.7	-	16.7
Actuarial gain on defined benefit plans, net of tax	-	-	-	1.9	-	1.9	1.5	3.4
Total other comprehensive income	-	141.1	(6.8)	1.9	-	136.2	15.6	151.8
Total comprehensive income for the year	-	141.1	(6.8)	1.9	924.0	1,060.2	183.7	1,243.9
Transactions with owner of the Company, recorded directly in equity								
Contributions by and distributions to owner of the Company								
Equity contribution by non-controlling interests	-	-	-	-	-	-	46.4	46.4
Dividends paid to non-controlling interests	-	-	-	-	-	-	(136.9)	(136.9)
Total transactions with owner	-	-	-	-	-	-	(90.5)	(90.5)
At 31 March 2011	3,911.9	148.4	(128.8)	(54.8)	3,966.4	7,843.1	1,545.0	9,388.1

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2012

Group	Share capital \$ million	Currency translation reserve \$ million	Hedging reserve \$ million	Other reserve \$ million	Accumulated profits \$ million	Total equity attributable to owner of the Company \$ million	Non-controlling interests \$ million	Total equity \$ million
At 1 April 2011	3,911.9	148.4	(128.8)	(54.8)	3,966.4	7,843.1	1,545.0	9,388.1
Total comprehensive income for the year								
Profit for the year	-	-	-	-	929.8	929.8	178.8	1,108.6
Other comprehensive income								
Translation differences relating to financial statements of foreign operations	-	9.4	-	-	-	9.4	0.2	9.6
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(196.0)	-	-	(196.0)	(89.1)	(285.1)
Reversal of changes in fair value of cash flow hedges included in profit or loss, net of tax	-	-	147.7	-	-	147.7	63.1	210.8
Reversal of changes in fair value of cash flow hedges on recognition of the hedged item on balance sheet, net of tax	-	-	6.5	-	-	6.5	4.7	11.2
Actuarial loss on defined benefit plans, net of tax	-	-	-	(54.2)	-	(54.2)	(16.5)	(70.7)
Total other comprehensive income	-	9.4	(41.8)	(54.2)	-	(86.6)	(37.6)	(124.2)
Total comprehensive income for the year	-	9.4	(41.8)	(54.2)	929.8	843.2	141.2	984.4
Transactions with owner of the Company, recorded directly in equity								
Contributions by and distribution to owner of the Company								
Dividends	-	-	-	-	(350.0)	(350.0)	-	(350.0)
Equity contribution by non-controlling interests	-	-	-	-	-	-	57.9	57.9
Dividends paid to non-controlling interests	-	-	-	-	-	-	(143.8)	(143.8)
Total transactions with owner	-	-	-	-	(350.0)	(350.0)	(85.9)	(435.9)
At 31 March 2012	3,911.9	157.8	(170.6)	(109.0)	4,546.2	8,336.3	1,600.3	9,936.6

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2012

Group	Share capital \$ million	Currency translation reserve \$ million	Hedging reserve \$ million	Other reserve \$ million	Accumulated profits \$ million	Total equity attributable to owner of the Company \$ million	Non-controlling interests \$ million	Total equity \$ million
At 1 April 2010	3,911.9	7.3	(122.0)	(56.7)	3,042.4	6,782.9	1,451.8	8,234.7
Total comprehensive income for the year								
Profit for the year	-	-	-	-	924.0	924.0	168.1	1,092.1
Other comprehensive income								
Translation differences relating to financial statements of foreign subsidiaries	-	141.1	-	-	-	141.1	39.7	180.8
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(209.4)	-	-	(209.4)	(97.6)	(307.0)
Reversal of changes in fair value of cash flow hedges included in profit or loss, net of tax	-	-	185.9	-	-	185.9	72.0	257.9
Reversal of changes in fair value of cash flow hedges on recognition of the hedged item on balance sheet, net of tax	-	-	16.7	-	-	16.7	-	16.7
Actuarial gain on defined benefit plans, net of tax	-	-	-	1.9	-	1.9	1.5	3.4
Total other comprehensive income	-	141.1	(6.8)	1.9	-	136.2	15.6	151.8
Total comprehensive income for the year	-	141.1	(6.8)	1.9	924.0	1,060.2	183.7	1,243.9
Transactions with owner of the Company, recorded directly in equity								
Contributions by and distributions to owner of the Company								
Equity contribution by non-controlling interests	-	-	-	-	-	-	46.4	46.4
Dividends paid to non-controlling interests	-	-	-	-	-	-	(136.9)	(136.9)
Total transactions with owner	-	-	-	-	-	-	(90.5)	(90.5)
At 31 March 2011	3,911.9	148.4	(128.8)	(54.8)	3,966.4	7,843.1	1,545.0	9,388.1

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2012

	Note	2012 \$ million	2011 \$ million
Cash flows from operating activities			
Profit for the year		1,108.6	1,092.1
Adjustments for:			
Depreciation and amortisation		1,097.3	998.8
Accretion of deferred customers' contribution		(25.7)	(25.1)
Share of profits of associates and joint venture		(65.2)	(68.7)
Finance income		(51.5)	(72.9)
Finance costs		1,058.4	1,120.0
Loss on disposal of property, plant and equipment		22.7	14.7
Loss on disposal of intangible assets		12.8	5.2
Tax expense		253.9	198.0
Others		3.2	1.1
		3,414.5	3,263.2
Changes in working capital:			
Trade and other receivables		(205.2)	(26.4)
Inventories		(4.8)	(18.4)
Balances with related parties (trade)		(12.2)	16.4
Trade and other payables		207.9	166.6
Others		-	1.9
Cash generated from operations		3,400.2	3,403.3
Interest received		14.7	39.1
Income taxes paid		(259.8)	(75.1)
Net cash from operating activities		3,155.1	3,367.3
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		11.9	6.8
Acquisition of subsidiaries (net of cash acquired)	36	-	(17.2)
Acquisition of interests in an associate		(98.5)	-
Acquisition of other investments		(5.3)	(0.8)
Purchase of intangible assets		(72.5)	(83.3)
Purchase of property, plant and equipment		(1,939.5)	(1,633.8)
Dividends received from associate and joint venture		33.1	35.5
Proceeds from divestment of associate and joint venture		-	1.5
Net cash used in investing activities		(2,070.8)	(1,691.3)
Cash flows from financing activities			
Proceeds from bank loans and debt obligations		3,990.3	6,930.7
Repayment of bank loans and debt obligations		(3,273.3)	(8,268.3)
Net receipt of customers' contributions		32.0	44.7
Proceeds from issue of shares to non-controlling interests		57.9	46.4
Dividends paid to non-controlling interests		(143.8)	(136.9)
Dividends paid to holding company		(350.0)	-
Interest paid		(1,043.6)	(1,030.4)
Net cash used in financing activities		(730.5)	(2,413.8)
Net increase/(decrease) in cash and cash equivalents		353.8	(737.8)
Cash and cash equivalents at beginning of the year		234.9	959.0
Effect of exchange rate changes on balances held in foreign currencies		0.2	13.7
Cash and cash equivalents at end of the year	15	588.9	234.9

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 31 May 2012.

1 Domicile and activities

Singapore Power Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at 10 Pasir Panjang Road, Mapletree Business City, Singapore 117438. The holding company is Temasek Holdings (Private) Limited, a company incorporated in the Republic of Singapore.

The principal activity of the Company is that of investment holding, and provision of management support services. Its subsidiaries are engaged principally in the transmission and distribution of electricity and gas, provision of related consultancy services and investment in related projects.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group) and the Group's interests in associates and joint venture (collectively referred to as Group entities).

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies set out below.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest million, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are discussed below:

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation (Cont'd)

2.4 Use of estimates and judgements (Cont'd)

Impairment of goodwill and indefinite-lived intangible assets

Impairment reviews in respect of goodwill and intangible assets are performed at least annually. More regular reviews are performed if changes in circumstances or the occurrence of events indicate potential impairment. The Group uses the present value of future cash flows to determine the recoverable amounts of the cash generating units. In calculating the recoverable amounts, significant management judgement is required in forecasting cash flows of the cash generating units, in estimating the terminal growth values and in selecting an appropriate discount rate. Details of key assumptions made are set out in note 5.

Useful lives of property, plant and equipment

Assumptions made regarding the useful lives are based on the regulatory environment and technological developments. These assumptions are subject to risk and there is the possibility that changes in circumstances will alter expectations. Details are set out in note 3.3.

Defined benefit plan assumptions

Defined benefit plan assumptions are based on long-term market expectations. The use of other assumptions would lead to different values for defined benefit plan assets and liabilities, including the unrecognised actuarial gains and losses, and different cost of defined benefit plans. Details are set out in note 27.

Estimating fair values of financial assets and financial liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition, measurement and disclosure purposes. Note 38 sets out the basis of valuation of financial assets and liabilities.

Accrued revenue

Revenue accrual estimates are made to account for the unbilled period between the end-user's last billing date and the end of the accounting period. The accrual relies on detailed analysis of customers' historical consumption patterns, which takes into account base usage, sensitivity to consumption growth and prevailing weather conditions. The results of this analysis are applied for the number of days and weather conditions over the unbilled period.

Taxation

The Group is subject to taxes mainly in Singapore and Australia. Significant judgement is required in determining provision for taxes. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details are set out in note 10 and 32.

2.5 Changes in accounting policies

Adoption of new and revised FRSs and Interpretation to FRS

The Group has adopted all the new and revised FRSs and Interpretation to FRS (INT FRS) that became mandatory from 1 April 2011. The adoption of these new FRSs and INT FRS has no significant impact to the Group.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation (Cont'd)

2.5 Changes in accounting policies (Cont'd)

Change in classification of derivative financial instruments

Following an extensive review of the accounting for derivative financial instruments, the Group has voluntarily amended its approach to classifying derivative financial instruments in the balance sheets. Previously the split between current and non-current was based on the contractual cash flow of the instrument. From 1 April 2011, the Group has determined this split based on the maturity date of the instrument. As a result, derivative financial instruments are classified as non-current, except for those instruments that mature in less than 12 months, which are classified as current. Comparative information has been restated to align with this change.

The Group believes that the adoption of the maturity date approach for classifying derivative financial instruments provides better information to users of the financial statements by aligning the classification to the Group's approach to treasury risk management. Derivatives are presented according to the period for which they are providing a hedge against a financial risk exposure.

Arising from the change in accounting policy, as at 31 March 2012, at the Group level, additional amounts of \$120.4 million and \$412.5 million have been classified as part of other non-current assets (derivative assets) and other non-current financial liabilities, instead of part of trade and other receivables (derivative assets) and other current financial liabilities, respectively.

At the Company level, additional amounts of \$0.8 million have been classified as part of other non-current assets (derivative assets), instead of part of trade and other receivables (derivative assets).

Refer to note 41 for further details regarding this change in the classification of derivative financial instruments to the comparative financial period.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been consistently applied by Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

Certain comparative amounts have been reclassified to conform with the current year's presentation (see note 41).

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value, or, when applicable, on the basis specified in another standard.

From 1 April 2004 to 31 March 2010, business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Any excess or deficiency of the purchase consideration over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed is accounted for as goodwill or bargain purchase gain (formerly known as negative goodwill) (see note 3.4).

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Cont'd)

3.1 Basis of consolidation (Cont'd)

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investments in associates and joint ventures (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and joint ventures are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investments include transaction costs. The Group's investments in equity-accounted investees include goodwill identified on acquisition, net of any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the adjustment to non-controlling interests and the fair value of consideration paid is recognised directly in equity and presented as part of equity attributable to owners of the Company.

Transactions eliminated on consolidation

All significant intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries, associates and joint ventures by the Company

Investments in subsidiaries, associates and joint ventures are stated in the Company's balance sheet at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Cont'd)

3.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the date of the transactions. The functional currencies of the Group's entities are mainly Singapore dollar and Australian dollar. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currencies at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate prevailing on the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective (see below), available-for-sale equity instruments (see note 3.5) and financial liabilities designated as hedges of the net investment in foreign operations, or qualifying cash flow hedges, which are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars for presentation in these financial statements at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 were treated as assets and liabilities of the foreign operations and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income, and presented in the currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss in disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised in other comprehensive income, and are presented in the translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Cont'd)

3.2 Foreign currencies (Cont'd)

Net investment in a foreign operation

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the currency translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the relevant amount in the currency translation reserve is transferred to profit or loss as part of profit or loss on disposal.

3.3 Property, plant and equipment

Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing cost. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land, easements and construction-in-progress are not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Cont'd)

3.3 Property, plant and equipment (Cont'd)

The estimated useful lives for the current and comparative periods are as follows:

	Singapore operations	Australia operations
Freehold buildings	–	30 – 99 years
Leasehold land	Over the term of the lease, ranging from 20 – 99 years	–
Leasehold buildings	21 – 30 years or the lease term, if shorter	5 – 40 years or the lease term, if shorter
Plant and machinery		
- Mains (Electricity)	30 years	2 – 70 years
- Mains (Gas)	20 – 50 years	15 – 120 years
- Transformers and switchgear	30 years	15 – 45 years
- Towers	–	70 years
Other plant and equipment (principally gas storage plant, remote control and telemetering equipment)	3 – 30 years	3 – 50 years
Motor vehicles and office equipment	3 – 15 years	3 – 15 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end, and adjusted if appropriate.

3.4 Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets and represents the excess of:

- the fair value of the consideration transferred;
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable asset acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Cont'd)

3.4 Intangible assets (Cont'd)

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

Other intangible assets

Other intangible assets with finite useful lives are measured at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill is recognised in profit or loss as an expense when incurred.

Intangible assets that have indefinite lives or that are not available for use are stated at cost less impairment losses.

Software is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 5 to 7 years.

Transmission and distribution licences held by certain subsidiaries in Australia entitle these subsidiaries to transmit and distribute electricity and gas within the subsidiaries' licensed regions. Transmission and distribution licences are stated at cost less impairment losses. No amortisation is provided as, in the opinion of management, they have unlimited useful lives. Such transmission and distribution licences are tested for impairment annually and whenever there is an indication that the transmission and distribution licences may be impaired, any impairment loss is recognised immediately in profit or loss.

Deferred expenditure relates mainly to contributions paid by the Group in accordance with regulatory requirements towards capital expenditure costs incurred by electricity generation companies. Deferred expenditure is amortised on a straight-line basis over the period in which the Group derives benefits from the capital contribution payments, which is generally the useful life of the relevant equipment ranging from 7 to 19 years.

Contract intangibles relates to estimated future economic benefits which the Group expects to derive from customer contracts and customer relationships acquired in business combinations. Contract intangibles are carried at fair value at the date of acquisition, and amortised on a straight-line basis over the period of expected benefits. The weighted average estimated contract life is 17.2 years.

Intangible assets under construction are stated at cost. No amortisation is provided until the commencement of the operation of the intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Cont'd)

3.5 Financial instruments

Non-derivative financial instruments

The Group initially recognises loans and receivables and deposits on the date they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale. It would also prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and bank deposits.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Cont'd)

3.5 Financial instruments (Cont'd)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3.8) and foreign currency differences on available-for-sale monetary items (see note 3.2), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss.

Non-derivatives financial liabilities

The Group initially recognises debt securities issued and bank borrowings on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Cont'd)

3.5 Financial instruments (Cont'd)

Derivative financial instruments, including hedge accounting (Cont'd)

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases, the amount accumulated in equity is reclassified to profit and loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item is adjusted to reflect changes in its fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss with an adjustment to the carrying amount of the hedged item.

Economic hedges

Hedge accounting is not applied to derivative hedging instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses.

Derivatives that do not qualify for hedge accounting

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Cont'd)

3.5 Financial instruments (Cont'd)

Derivative financial instruments, including hedge accounting (Cont'd)

Financial guarantee

Financial guarantees are financial instruments issued by the Group that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a contractual agreement.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to profit or loss.

3.6 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's balance sheet.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3.7 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event had occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Cont'd)

3.7 Impairment (Cont'd)

Loans and receivables and held-to-maturity investments

The Group considers evidence of impairment for loans and receivables and held-to-maturity investments at both a specific asset and collective level. All individually significant loans and receivables and held-to-maturity investments are assessed for specific impairment. All individually significant receivables and held-to-maturity investments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investments that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investments with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investments. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Cont'd)

3.7 Impairment (Cont'd)

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.8 Inventories

Spare parts, accessories and other consumables are measured at the lower of cost and net realisable value. Cost is determined based on the weighted average method, and includes expenditure in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Cost may also include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories. Allowance for obsolete, deteriorated or damaged stocks is made when considered appropriate.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Cont'd)

3.9 Employee benefits

Provision is made for the accrued liability for employee entitlements arising from services rendered by employees to the reporting date. The provision represents the Group's total estimated liability at the reporting date for employee entitlements.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, including on-costs. Consideration is given to expected future salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on government guaranteed bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted.

The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by a qualified actuary using the projected unit credit method.

When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all other expenses related to defined benefit plans in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Cont'd)

3.9 Employee benefits (Cont'd)

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.10 Provisions

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Environmental

Environmental provision is made for the rehabilitation of sites based on the estimated costs of the rehabilitation. The liability includes the costs of reclamation, plant closure and dismantling, and waste site closure. The liability is determined based on the present value of the obligation. Annual adjustments to the liability are recognised in profit or loss over the estimated life of the sites. The costs are estimated based on assumptions of current legal requirements and technologies. Any changes in estimates are dealt with on a prospective basis.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

3.11 Deferred income

Deferred income comprises (i) government grants for the purchase of depreciable assets and (ii) contributions made by certain customers towards the cost of capital projects received prior to 1 July 2009.

Deferred income is recognised on the straight-line basis and taken to profit or loss over the periods necessary to match the depreciation of the assets purchased with the government grants and customers' contributions.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Cont'd)

3.12 Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Sale of electricity and gas

Revenue from the sale of electricity and gas are recognised when electricity and gas are delivered to consumers.

Electricity transmission, gas transportation and distribution revenue

Revenue relates to transmission of electricity, transportation of gas and related services and is recognised when the services are rendered.

Distribution revenue relates to distribution of gas and electricity and related services and is recognised at the point of consumption. Distribution revenue comprises services rendered and a net accrual for unbilled and unread revenue. Accrued revenue is determined having regard to the period since a customer's last billing date and the customer's previous consumption patterns.

Transfers of assets from customers

Revenue arising from assets transferred from customers is recognised in profit or loss when the performance obligations associated with receiving those customer contributions are met. In determining the amount of revenue to be recognised, the fair value of the assets is required to be estimated and the circumstances and nature of the transferred assets, which includes market value and relevant rate-regulated framework governing those assets, are taken into account.

Agency fees

Agency fees from acting as billing agent are recognised when the services are rendered.

Dividend income

Dividend income is recognised on the date that the Group's right to receive payment is established.

Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

Support service income and management fees

Support services income and management fees are recognised when the services are rendered.

Capital and maintenance works income

Revenue from rendering of capital and maintenance service is recognised in proportion to the stage of completion of the contract when the stage of contract completion can be reliably measured. The stage of completion is assessed by reference to surveys of work performed.

Where the outcome of capital and maintenance contract cannot be reliably estimated, contract costs are expensed as incurred. Revenue is only recognised to the extent of costs incurred where it is probable that the costs will be recovered. An expected loss is recognised immediately as an expense.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Cont'd)

3.13 Price regulation and licences

The Group's operations in Singapore are regulated under the Electricity Licence, Gas Supply Licence and the Market Support Services Licence issued by the Energy Market Authority of Singapore.

The Group's operations in Australia, depending on the industry and state the operations are in, are regulated under the Electricity Industry Act 2000 (Vic), National Electricity (Vic) Act 1997, Essential Services Commission Act 2001, National Electricity Law and Rules, Utilities Act 2000, National Gas Law and Rules, Gas Supply Act 1996 (NSW), Pipelines Act 1967 (NSW), Petroleum and Gas (Production and Safety) Act 2004 (Queensland), Pipelines Act 2005 (Vic), Gas Industry Act 2001, Gas Pipelines Access (Victoria) Act 1998 and the Water Industry Competition Act 2006 (NSW) as administered by the Australian Energy Regulator, the Essential Services Commission, the Australian Energy Market Operator, the Independent Competition and Regulatory Commission, the Independent Pricing and Regulatory Tribunal, Industry & Investment NSW, Queensland Mines and Energy, and Department of Primary Industries.

Revenue to be earned from the supply and transmission of electricity and gas and the provision of market support services is regulated based on certain formulae and parameters set out in those licenses, relevant acts and codes.

Actual revenue billed may vary from that allowed, resulting in an adjustment that may increase or decrease tariffs in succeeding periods to recover or refund amounts under or over charged. In order to match costs incurred and revenue earned, amounts to be recovered or refunded are brought to account as adjustments to revenue in the period in which the Group becomes entitled to the recovery or liable for the refund.

3.14 Lease payment

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.15 Exceptional items

Exceptional items refer to items of income or expense from ordinary activities recognised in profit or loss that are of such size, nature or incidence that their separate disclosure is considered necessary to explain the performance for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Cont'd)

3.16 Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, fair value gains or losses on financial assets and liabilities at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), and gains or losses on hedging instruments that are recognised in profit or loss.

Borrowing cost that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.17 Income tax expense

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in the other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary difference on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Cont'd)

3.17 Income tax expense (Cont'd)

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Group believes that certain positions may not be fully sustained upon review by tax authorities, despite the Group's belief that its tax return positions are supportable. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.19 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 April 2011 have not been applied in preparing these financial statements. None of these are expected to have a significant impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

4 Property, plant and equipment

Group	Note	Freehold land \$ million	Easements \$ million	Freehold buildings \$ million	Leasehold land \$ million	Leasehold buildings \$ million	Plant and machinery \$ million	Other plant and equipment \$ million	Motor vehicles and office equipment \$ million	Construction- in-progress \$ million	Total \$ million
Cost											
At 1 April 2010		149.1	757.4	283.7	399.4	1,287.4	23,579.9	722.4	1,418.6	1,381.6	29,979.5
Additions		0.5	-	3.2	-	3.7	197.0	92.0	21.9	1,348.9	1,667.2
Disposals		(0.4)	-	(0.6)	(0.3)	-	(41.2)	(11.8)	(13.4)	(0.2)	(67.9)
Transfers		-	-	-	-	-	-	(79.0)	-	-	(79.0)
Reclassifications		(5.1)	-	30.6	25.8	55.0	1,159.1	175.0	173.2	(1,613.6)	-
Acquisition of subsidiary	36	-	-	-	-	0.1	-	0.1	1.2	-	1.4
Translation differences		2.5	13.4	6.1	-	0.8	241.7	7.3	20.6	39.8	332.2
At 31 March 2011/											
1 April 2011		146.6	770.8	323.0	424.9	1,347.0	25,136.5	906.0	1,622.1	1,156.5	31,833.4
Additions		12.6	-	1.2	-	4.9	219.2	151.7	98.8	1,510.8	1,999.2
Disposals		(1.8)	-	-	(0.2)	(1.9)	(67.7)	(12.0)	(16.0)	(1.0)	(100.6)
Transfers		-	-	-	-	-	-	-	-	(87.3)	(87.3)
Reclassifications		0.5	-	22.1	-	9.2	1,023.5	794.4	(615.9)	(1,233.8)	-
Translation differences		0.2	1.0	0.4	-	-	18.3	(0.1)	0.6	(2.9)	17.5
At 31 March 2012		158.1	771.8	346.7	424.7	1,359.2	26,329.8	1,840.0	1,089.6	1,342.3	33,662.2

NOTES TO THE FINANCIAL STATEMENTS

4 Property, plant and equipment (Cont'd)

Group	Freehold land \$ million	Easements \$ million	Freehold buildings \$ million	Leasehold land \$ million	Leasehold buildings \$ million	Plant and machinery \$ million	Other plant and equipment \$ million	Motor vehicles and office equipment \$ million	Construction- in-progress \$ million	Total \$ million
Accumulated depreciation and impairment losses										
At 1 April 2010	-	-	66.0	108.8	508.3	6,015.9	373.1	502.0	-	7,574.1
Depreciation	-	-	8.7	9.2	48.8	663.3	70.9	100.5	-	901.4
Disposals	-	-	-	-	-	(23.0)	(9.8)	(13.2)	-	(46.0)
Reclassifications	-	-	-	-	-	10.3	(10.3)	-	-	-
Translation differences	-	-	1.3	-	0.5	46.3	2.6	8.9	-	59.6
At 31 March 2011/1 April 2011	-	-	76.0	118.0	557.6	6,712.8	426.5	598.2	-	8,489.1
Depreciation	-	-	9.5	9.5	47.1	751.3	72.4	111.5	-	1,001.3
Disposals	-	-	-	-	(0.5)	(44.9)	(5.4)	(14.2)	-	(65.0)
Reclassifications	-	-	-	-	-	-	71.9	(71.9)	-	-
Translation differences	-	-	0.1	-	-	1.6	-	0.3	-	2.0
At 31 March 2012	-	-	85.6	127.5	604.2	7,420.8	565.4	623.9	-	9,427.4
Carrying amounts										
At 1 April 2010	149.1	757.4	217.7	290.6	779.1	17,564.0	349.3	916.6	1,381.6	22,405.4
At 31 March 2011	146.6	770.8	247.0	306.9	789.4	18,423.7	479.5	1,023.9	1,156.5	23,344.3
At 31 March 2012	158.1	771.8	261.1	297.2	755.0	18,909.0	1,274.6	465.7	1,342.3	24,234.8

As at 31 March 2012, property, plant and equipment of a subsidiary with a carrying amount of \$180.5 million (2011: \$185.4 million) are pledged as security to secure bank loan (see note 18).

NOTES TO THE FINANCIAL STATEMENTS

4 Property, plant and equipment (Cont'd)

Expenses capitalised

The following expenses were capitalised in property, plant and equipment during the year:

				Note	Group 2012 \$ million	Group 2011 \$ million
Borrowing costs				31	32.8	42.8

Company	Leasehold land \$ million	Leasehold buildings \$ million	Plant and equipment \$ million	Motor vehicles and office equipment \$ million	Construction- in-progress \$ million	Total \$ million
Cost						
At 1 April 2010	9.4	10.4	2.9	20.7	0.1	43.5
Additions	-	2.7	-	-	3.9	6.6
Disposals	-	-	-	(0.5)	-	(0.5)
Reclassifications	-	-	-	0.1	(0.1)	-
At 31 March 2011/1 April 2011	9.4	13.1	2.9	20.3	3.9	49.6
Additions	-	1.5	-	0.3	11.6	13.4
Disposals	-	(1.5)	-	(0.4)	(0.4)	(2.3)
Reclassifications	-	6.2	0.1	6.4	(12.7)	-
At 31 March 2012	9.4	19.3	3.0	26.6	2.4	60.7
Accumulated depreciation						
At 1 April 2010	4.1	5.0	0.9	11.6	-	21.6
Depreciation	0.3	1.8	0.2	3.0	-	5.3
Disposals	-	-	-	(0.5)	-	(0.5)
At 31 March 2011/1 April 2011	4.4	6.8	1.1	14.1	-	26.4
Depreciation	0.3	0.9	0.2	3.6	-	5.0
Disposals	-	-	-	(0.4)	-	(0.4)
At 31 March 2012	4.7	7.7	1.3	17.3	-	31.0
Carrying amounts						
At 1 April 2010	5.3	5.4	2.0	9.1	0.1	21.9
At 31 March 2011	5.0	6.3	1.8	6.2	3.9	23.2
At 31 March 2012	4.7	11.6	1.7	9.3	2.4	29.7

NOTES TO THE FINANCIAL STATEMENTS

5 Intangible assets

	----- Group -----						----- Company -----				
	Note	Software \$ million	Licences \$ million	Contract intangibles \$ million	Deferred expenditure \$ million	Goodwill \$ million	Assets under construction \$ million	Total \$ million	Software \$ million	Deferred expenditure \$ million	Total \$ million
Cost											
At 1 April 2010		291.0	944.3	300.3	86.3	3,326.7	66.9	5,015.5	6.9	0.7	7.6
Additions		9.3	-	-	0.4	-	64.2	73.9	1.4	-	1.4
Disposals		(13.7)	-	-	-	-	(5.4)	(19.1)	-	-	-
Transfers		79.0	-	-	-	-	-	79.0	-	-	-
Acquisition of subsidiary	36	-	-	5.1	-	14.8	-	19.9	-	-	-
Translation differences		3.0	16.7	5.4	-	61.1	3.2	89.4	-	-	-
At 31 March 2011/1 April 2011		368.6	961.0	310.8	86.7	3,402.6	128.9	5,258.6	8.3	0.7	9.0
Additions		17.6	-	-	0.6	-	42.8	61.0	3.1	-	3.1
Disposals		(12.8)	-	-	-	-	-	(12.8)	(0.5)	-	(0.5)
Transfers		59.1	-	-	-	-	28.2	87.3	-	-	-
Reclassification		30.7	-	-	-	-	(30.7)	-	-	-	-
Translation differences		1.2	1.2	0.4	-	3.5	(0.5)	5.8	-	-	-
At 31 March 2012		464.4	962.2	311.2	87.3	3,406.1	168.7	5,399.9	10.9	0.7	11.6

NOTES TO THE FINANCIAL STATEMENTS

5 Intangible assets (Cont'd)

Note	Group							Company		
	Software \$ million	Licences \$ million	Contract intangibles \$ million	Deferred expenditure \$ million	Goodwill \$ million	Assets under construction \$ million	Total \$ million	Software \$ million	Deferred expenditure \$ million	Total \$ million
Accumulated amortisation and impairment losses										
At 1 April 2010	163.0	49.7	125.5	36.1	938.7	-	1,313.0	2.2	0.6	2.8
Amortisation	63.2	-	24.6	9.6	-	-	97.4	1.0	0.1	1.1
Disposals	(2.8)	-	-	-	-	-	(2.8)	-	-	-
Translation differences	3.2	0.9	3.2	-	20.6	-	27.9	-	-	-
At 31 March 2011/1 April 2011	226.6	50.6	153.3	45.7	959.3	-	1,435.5	3.2	0.7	3.9
Amortisation	67.5	-	22.6	5.9	-	-	96.0	1.4	-	1.4
Translation differences	-	-	0.2	-	1.3	-	1.5	-	-	-
At 31 March 2012	294.1	50.6	176.1	51.6	960.6	-	1,533.0	4.6	0.7	5.3
Carrying amounts										
At 1 April 2010	128.0	894.6	174.8	50.2	2,388.0	66.9	3,702.5	4.7	0.1	4.8
At 31 March 2011	142.0	910.4	157.5	41.0	2,443.3	128.9	3,823.1	5.1	0.0	5.1
At 31 March 2012	170.3	911.6	135.1	35.7	2,445.5	168.7	3,866.9	6.3	0.0	6.3

NOTES TO THE FINANCIAL STATEMENTS

5 Intangible assets (Cont'd)

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing on the cash-generating units (“CGUs”) containing goodwill, goodwill is allocated to the Group’s operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill being allocated to the respective CGUs in SPI (Australia) Assets Pty Ltd and its subsidiaries (collectively “SPIAA Group”) are as follows:

	Group	
	2012	2011
	\$ million	\$ million
Electricity distribution	319.8	198.1
Gas distribution	656.8	470.3
Gas transmission	1,014.9	955.6
Asset management	438.3	803.7
	2,429.8	2,427.7

The SPIAA Group has re-organised its reporting structure, which has changed the composition of the CGUs. Some cash flows previously within the Asset management CGU are now within the electricity distribution, gas distribution and gas transmission CGUs. The reallocation of goodwill has been performed on a relative value approach.

The recoverable amounts of the CGUs are the higher of fair value less costs to sell and value in use. The recoverable amounts of the CGUs were determined to be higher than their carrying amounts and hence no impairment is necessary.

Management has based its assessment of fair value less costs to sell on discounted future cash flows with the following key assumptions:

- 1 Cash flow time horizons used in valuing the CGUs were between five years and twenty years. Cash flows were projected using growth assumptions for revenue, operating expenditure and capital expenditure. Management believes that this forecast period is justified due to the long term nature of the CGU’s activities.
- 2 For regulated assets, the growth assumption is primarily driven by the assumptions in the regulatory building block models with growth being the function of the regulated asset base and the allowable return from the regulators. For non-regulated assets, the growth is largely determined by contractual parameters and the projected Australian Consumer Price Index (“CPI”). Expenditure growth for all assets is largely indexed to the projected annual Australian CPI growth of 3.0% (2011: 2.5%).

The annual growth rates applied to the units range from 0% to 3.0% (2011: 0% to 3.0%), which do not exceed the long-term average growth rates for the industry and the country.

- 3 Cash flows are discounted to their present value using a pre-tax discount rate based on the weighted average cost of capital (WACC). The WACC takes into accounts the average rates of return required by providers of debt and equity capital (weighted to the market) to compensate them for the time value of money and the inherent risk or uncertainty in achieving the cash flow returns for that outlay of capital. Depending on the nature of the assets, the discount rates applied in determining the recoverable amounts of the units range from 8.8% to 10.2% (2011: 9.2% to 10.1%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

5 Intangible assets (Cont'd)

Impairment testing for cash-generating units containing goodwill (Cont'd)

For Asset management CGU, management has identified that a change in the earnings before interest, tax, depreciation and amortisation (EBITDA) margin assumption is reasonably possible and that such a change may result in the CGU's carrying amount exceeding its recoverable amount. Based on the impairment assessment performed at the reporting date, the recoverable amount of this CGU exceeds its carrying amount by \$32.5 million. However, a four percentage point (4%) reduction in the normalised forecast EBITDA margin would result in the recoverable amount equalling the carrying amount for the CGU.

Other significant assumptions made by the Group in assessing the recoverable amount of CGUs include:

- Asset management – Growth in contract servicing revenue, EBITDA margin and the discount rate
- Electricity and gas distribution – Australian Energy Regulator (AER) regulatory determinations, merits review outcomes and the discount rate
- Gas transmission – Pipe expansion capital expenditure, associated contracted cash flow benefits, capacity recontracting and the discount rate

Such assumptions can change in the short term, or on occurrence of a significant event, which can have a significant impact on the carrying amount of these CGUs.

Impairment testing for intangibles with indefinite useful life (licences)

The following CGUs in SP AusNet and SPIAA Group have licences with indefinite useful lives:

	2012	Group 2011
	\$ million	\$ million
Electricity distribution	166.8	167.0
Gas distribution	309.6	309.2
Electricity transmission	435.2	434.2
	911.6	910.4

Recoverable amount is the higher of fair value less costs to sell and value in use. The recoverable amounts of the CGUs were determined to be higher than their carrying amounts and hence no impairment is necessary.

Management has based its assessment of fair value less costs to sell on discounted cash flow projections over a period of 20 years together with an appropriate terminal value incorporating growth rates based on the long term Consumer Price Index assumption of 2.6% (2011: 2.5%).

Regulated cash flow forecasts are based on allowable returns on electricity and gas transmission and distribution assets, together with other information included in the CGUs' 5-year forecast in the relevant market. Cash flows after the 5-year business plan are based on an extrapolation of the forecast, taking into account inflation and expected customer connection growth rates. It is considered appropriate to use cash flows after the 5-year forecast period considering the long-term nature of the units' activities.

NOTES TO THE FINANCIAL STATEMENTS

5 Intangible assets (Cont'd)

Impairment testing for intangibles with indefinite useful life (licences) (Cont'd)

Cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets. The discount rate applied in determining the recoverable amounts of the units range from 8.8% to 9.2% (2011: 9.0% to 9.2%).

In addition, recoverable amounts were assessed against appropriate market earnings before interest, tax, depreciation and amortisation multiples and regulated asset base multiples of recent transactions involving similar assets.

6 Subsidiaries

	Company	
	2012 \$ million	2011 \$ million
Unquoted equity shares, at cost	6,589.3	6,622.6
Impairment losses	(21.4)	(38.7)
	6,567.9	6,583.9

Details of significant subsidiaries are as follows:

Name of subsidiaries	Principal activities	Place of incorporation	Effective interest held by the Group	
			2012 %	2011 %
SP PowerAssets Limited	Transmission and distribution of electricity	Singapore	100	100
PowerGas Limited	Transmission and distribution of piped gas	Singapore	100	100
SP PowerGrid Limited	Provision of management services to related corporations	Singapore	100	100
SP Services Limited	Sale of electricity and provision of customer services relating to utilities supply	Singapore	100	100
Singapore Power International Pte Ltd and its subsidiaries:	Investment holding	Singapore	100	100
- SP Australia Networks (Transmission) Ltd and its subsidiary:	Investment holding	Australia	51	51
- SP Australia Networks (Finance) Trust	Provision of loans to related corporations	Australia	51	51

NOTES TO THE FINANCIAL STATEMENTS

6 Subsidiaries (Cont'd)

Name of subsidiaries	Principal activities	Place of incorporation	Effective interest held by the Group	
			2012 %	2011 %
- SP Australia Networks (Distribution) Ltd and its subsidiary:	Investment holding	Australia	51	51
- SPI Australia Group Pty Ltd	Distribution of electricity and natural gas	Australia	51	51
- SPI (Australia) Assets Pty Ltd and its subsidiaries:	Investment holding	Australia	100	100
- Jemena Asset Management (6) Pty Ltd	Infrastructure services	Australia	100	100
- Jemena Electricity Networks (Vic) Ltd	Electricity distribution	Australia	100	100
- Jemena Gas Networks (NSW) Ltd	Gas distribution	Australia	100	100
- Jemena Eastern Gas Pipeline (1) Pty Ltd	Gas transmission	Australia	100	100
- Jemena Eastern Gas Pipeline (2) Pty Ltd	Gas transmission	Australia	100	100
- Jemena Queensland Gas Pipeline (1) Pty Ltd	Gas transmission	Australia	100	100
- Jemena LGA Ltd	Investment holding	Australia	100	100

NOTES TO THE FINANCIAL STATEMENTS

7 Associate and joint venture

	Group	
	2012	2011
	\$ million	\$ million
Investment in associate	458.3	365.3
Investment in a joint venture	959.0	911.9
	1,417.3	1,277.2

Details of the material associate and of the joint venture are as follows:

Name of associates	Principal activities	Place of incorporation and business	Effective interest held by the Group	
			2012	2011
			%	%
United Energy Distribution Holdings Pty Ltd	Electricity distribution	Australia	34	34
Name of joint venture				
ActewAGL Distribution Partnership	Electricity distribution	Australia	50	50

The summarised financial information relating to associates below is not adjusted for the percentage of ownership held by the Group. The summarised financial information of the joint venture represents the Group's share.

Summarised aggregated financial information on the associates is as follows:

	Associates	
	2012	2011
	\$ million	\$ million
Assets and liabilities		
Total assets	3,557.0	3,946.1
Total liabilities	3,268.8	3,873.0
Results		
Revenue	693.8	617.0
(Loss)/profit after taxation	(41.5)	25.9

NOTES TO THE FINANCIAL STATEMENTS

7 Associate and joint venture (Cont'd)

Summarised aggregated financial information on the Group's interests in the joint ventures is as follows:

	Joint venture	
	2012 \$ million	2011 \$ million
Assets and liabilities		
Non-current assets	955.1	909.9
Current assets	85.7	65.4
Total assets	1,040.8	975.3
Non-current liabilities	77.6	3.4
Current liabilities	4.3	60.0
Total liabilities	81.9	63.4
Results		
Revenue	367.9	275.1
Expenses	(288.6)	(210.6)
Profit after taxation	79.3	64.5

8 Other investments

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Non-current investments				
Loan note issued by a subsidiary	-	-	359.0	359.0
Available-for-sale financial assets	11.9	6.6	-	-
	11.9	6.6	359.0	359.0

The loan note issued by a subsidiary is unsecured and bears interest at a fixed rate of 3.7% (2011: 3.7%) per annum. The loan note is to be repaid as follows:

	Company	
	2012 \$ million	2011 \$ million
Financial year ending 31 March		
2014	359.0	359.0

Investments of the Group and of the Company are denominated in Singapore dollars.

NOTES TO THE FINANCIAL STATEMENTS

9 Other non-current assets

	Group		Company	
	2012 \$ million	Restated 2011 \$ million	2012 \$ million	Restated 2011 \$ million
Finance lease receivables	40.3	52.2	-	-
Derivative assets	492.9	355.5	21.3	21.4
Other receivables	12.1	3.2	-	-
	545.3	410.9	21.3	21.4

Finance lease receivables

The Group entered into arrangements to transport a minimum volume of piped gas to its customers using certain pipelines. Although the arrangements are not in the legal form of a lease, the Group concluded that the arrangements contain in substance leases of the submarine pipelines, because the minimum lease payments amount to substantially all the fair value of the leased assets. Accordingly, these leases were classified as finance lease. The Group however continues to be the legal owner of the pipelines and therefore claims capital allowances for the pipelines.

The interest rate implied in each lease is determined at the commencement date of the lease.

The carrying amount of the finance lease receivables at the reporting date approximates its fair value, based on discounting the cash flows at the market rate.

	Group	
	2012 \$ million	2011 \$ million
Gross investment in leased pipelines	67.3	83.2
Unearned income in leased pipelines	(15.3)	(20.0)
Net receivables	52.0	63.2
Current	11.7	11.0
Non-current	40.3	52.2
	52.0	63.2

	Gross investment \$ million	Unearned income \$ million	Net investment \$ million
2012			
Within 1 year	15.6	(3.9)	11.7
After 1 year but within 5 years	35.4	(7.5)	27.9
After 5 years	16.3	(3.9)	12.4
	67.3	(15.3)	52.0
2011			
Within 1 year	15.7	(4.7)	11.0
After 1 year but within 5 years	47.6	(10.3)	37.3
After 5 years	19.9	(5.0)	14.9
	83.2	(20.0)	63.2

The effective interest rates on the finance lease receivables ranges from 7.38% to 7.76% (2011: 7.38% to 7.76%).

NOTES TO THE FINANCIAL STATEMENTS

10 Deferred taxation

Movements in deferred tax assets and liabilities during the year are as follows:

Group	At	Recognised	Recognised	Acquisition	Translation	At	Recognised	Recognised	Transfer	Translation	At
	1 April	in profit	in other	of	differences	31 March	in profit or	in other	from current	differences	31 March
	2010	or loss	comprehensive	subsidiary		2011	loss	comprehensive	tax/reclass		2012
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Deferred tax assets											
Property, plant and equipment	9.8	(8.6)	-	-	-	1.2	(1.2)	-	-	-	-
Other financial assets	238.3	84.3	-	-	7.5	330.1	35.3	(1.9)	-	0.3	363.8
Trade, other payables and provisions	85.5	6.7	(3.6)	0.2	5.3	94.1	6.5	-	-	1.3	101.9
Tax losses carried forward	326.6	51.2	-	-	47.1	424.9	62.7	-	(5.7)	0.4	482.3
Others	76.8	(3.8)	(1.1)	-	0.3	72.2	(19.1)	14.9	2.1	(1.0)	69.1
	737.0	129.8	(4.7)	0.2	60.2	922.5	84.2	13.0	(3.6)	1.0	1,017.1
Set off of tax	(542.1)					(637.5)					(952.2)
Net deferred tax assets	194.9					285.0					64.9
Deferred tax liabilities											
Property, plant and equipment	(1,772.3)	(92.6)	-	(0.1)	(40.7)	(1,905.7)	(93.0)	-	(2.1)	(0.5)	(2,001.3)
Intangible assets	(4.0)	(9.1)	-	-	(0.6)	(13.7)	(8.0)	-	-	-	(21.7)
Trade and other receivables	(15.7)	2.9	-	-	-	(12.8)	4.0	-	-	(0.1)	(8.9)
Other financial assets	(188.0)	(66.9)	17.5	(1.5)	(5.6)	(244.5)	(37.6)	38.4	-	(0.4)	(244.1)
Trade, other payable and provisions	-	-	-	-	-	-	-	-	-	-	-
Others	40.7	(3.6)	(1.4)	-	0.1	35.8	(4.3)	14.0	-	0.1	45.6
	(1,939.3)	(169.3)	16.1	(1.6)	(46.8)	(2,140.9)	(138.9)	52.4	(2.1)	(0.9)	(2,230.4)
Set off of tax	542.1					637.5					952.2
Net deferred tax liabilities	(1,397.2)					(1,503.4)					(1,278.2)

NOTES TO THE FINANCIAL STATEMENTS

10 Deferred taxation (Cont'd)

Company	At 1 April 2010 \$ million	Recognised in profit or loss (note 32) \$ million	At 31 March 2011 \$ million	Recognised in profit or loss (note 32) \$ million	At 31 March 2012 \$ million
Deferred tax liabilities					
Interest receivable	(1.3)	0.2	(1.1)	1.1	-
Property, plant and equipment	(1.9)	0.5	(1.4)	(0.4)	(1.8)
Intangible assets	(0.5)	0.2	(0.3)	(0.1)	(0.4)
Others	-	0.3	0.3	0.2	0.5
Net deferred tax liabilities	(3.7)	1.2	(2.5)	0.8	(1.7)

The Group recognises deferred tax assets in relation to tax losses and unutilised capital allowances, after considering the availability of future taxable profits based on business plans approved by the subsidiaries' Board of Directors.

The tax losses are subject to agreement by tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The deductible temporary differences do not expire under current tax legislation.

11 Inventories

	Group	
	2012 \$ million	2011 \$ million
Spare parts and accessories	12.8	17.0
Other consumables	151.8	143.9
	164.6	160.9

12 Trade and other receivables

	Note	Group Restated		Company	
		2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Trade receivables	13	586.4	557.1	-	-
Balances with related corporations	26	20.5	13.2	6,063.1	6,402.5
Derivative assets		8.5	4.2	2.3	-
Other receivables, deposits and prepayments	14	856.4	976.0	6.4	39.4
		1,471.8	1,550.5	6,071.8	6,441.9

NOTES TO THE FINANCIAL STATEMENTS

13 Trade receivables

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Trade receivables	623.0	584.9	-	-
Impairment losses	(36.6)	(27.8)	-	-
	586.4	557.1	-	-

Trade receivables are non-interest bearing and the average credit term is between 10 to 59 business days (2011: 10 to 45 business days). An allowance has been made for estimated unrecoverable amounts, determined by reference to past default experience of individual debtors and collective portfolio.

Collateral in the form of bank guarantees, letters of credit and deposits are obtained from counterparties where appropriate. The amounts called upon during the current and previous financial year were insignificant and no item is individually significant.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer is as follows:

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Contestable transmission/ distribution customers	126.9	132.7	-	-
Non-contestable transmission/ distribution customers	358.1	343.6	-	-
Project-based customers	74.8	54.5	-	-
Others	26.6	26.3	-	-
	586.4	557.1	-	-

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region is as follows:

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Singapore	364.7	328.3	-	-
Australia	219.8	228.0	-	-
Others	1.9	0.8	-	-
	586.4	557.1	-	-

There is no significant concentration of credit risk of trade receivables.

The Group has policies in place to monitor its credit risk. Contractual deposits are collected and sufficient collateral is obtained to mitigate the risk of financial loss from defaults. The Group's customers are spread across diverse industries and ongoing credit evaluation is performed on the financial condition of receivables to ensure minimal exposure to bad debts.

NOTES TO THE FINANCIAL STATEMENTS

13 Trade receivables (Cont'd)

The ageing of trade receivables at the reporting date is as follows:

	2012 Gross \$ million	Impairment losses \$ million	2011 Gross \$ million	Impairment losses \$ million
Group				
Not past due	467.8	1.7	467.3	1.2
Past due 0-30 days	83.2	1.5	57.0	1.5
Past due 31-90 days	21.7	2.2	22.9	2.1
Past due 91-180 days	9.4	5.9	11.7	2.7
Past due more than 180 days	40.9	25.3	26.0	20.3
	623.0	36.6	584.9	27.8

The movement in impairment loss in respect of trade receivables during the year is as follows:

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
At 1 April	27.8	49.6	-	-
Impairment loss recognised	10.5	3.8	-	-
Impairment loss reversed	(1.5)	(14.0)	-	-
Impairment loss utilised	(0.3)	(11.4)	-	-
Translation differences	0.1	(0.2)	-	-
At 31 March	36.6	27.8	-	-

Receivables are denominated mainly in the functional currencies of the respective entities of the Group entities.

14 Other receivables, deposits and prepayments

	Note	Group		Company	
		2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Tax receivable		95.2	32.8	-	-
Back-to-back financial guarantee issued by holding company	20	-	32.8	-	32.8
Deposits		26.4	9.5	3.7	5.8
Prepayments		50.6	38.2	2.7	0.7
Accrued revenue		612.6	495.8	-	-
Receivable from refinancing activities		-	326.2	-	-
Others		71.6	40.7	-	0.1
		856.4	976.0	6.4	39.4

Receivables are denominated mainly in the functional currencies of the respective entities of the Group entities.

Receivable from refinancing activities was related to a A\$250.0 million bond issue and the proceeds were received on 1 April 2011.

NOTES TO THE FINANCIAL STATEMENTS

15 Cash and cash equivalents

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Cash at bank and in hand	265.4	150.1	7.2	8.0
Fixed deposits	323.5	84.8	103.1	0.7
	588.9	234.9	110.3	8.7

The weighted average effective interest rates per annum relating to fixed deposits at the reporting date for the Group and the Company ranged from 0.10% to 6.15% (2011: 0.05% to 4.81%) and 0.25% to 0.50 % (2011: 0.05% to 4.4%) respectively.

Cash and cash equivalents are denominated mainly in the functional currencies of the respective entities of the Group entities.

16 Share capital

	Group and Company	
	No. of shares 2012 million	No. of shares 2011 million
Issued and fully-paid with no par value		
At 1 April/ 31 March	3,911.9	3,911.9

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The Group is committed to an optimal capital structure while maintaining financial flexibility and investment grade credit ratings. In order to achieve an optimal capital structure, the Group may adjust the dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or reduce its borrowings.

The Group monitors capital based on gross and net gearing ratios. Gearing ratio is calculated as total debt over shareholders' equity and total debt.

NOTES TO THE FINANCIAL STATEMENTS

16 Share capital (Cont'd)

	2012	2011
	\$ million	\$ million
Bank loans	4,768.8	4,536.6
Debt obligations	11,261.6	10,834.8
Gross borrowings	16,030.4	15,371.4
Less: Cash and cash equivalents	588.9	234.9
Net borrowings	15,441.5	15,136.5
Shareholder's funds	8,336.3	7,843.1
Minority interests	1,600.3	1,545.0
Total equity	9,936.6	9,388.1
Total borrowings and equity	25,967.0	24,759.5
Net borrowings and equity	25,378.1	24,524.6

There were no changes in the Group's approach to capital management during the financial year.

The Group is not subject to any externally imposed capital requirement by regulators, and the subsidiaries are in compliance with externally imposed capital requirement by banks.

17 Reserves

	Group		Company	
	2012	2011	2012	2011
	\$ million	\$ million	\$ million	\$ million
Currency translation reserve	157.8	148.4	-	-
Hedging reserve	(170.6)	(128.8)	-	-
Other reserve	(109.0)	(54.8)	-	-
	(121.8)	(35.2)	-	-

The currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Company.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.

Other reserve comprises net actuarial gains and losses on defined benefit plans.

NOTES TO THE FINANCIAL STATEMENTS

18 Bank loans

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Current	1,191.5	108.4	-	-
Non-current	3,577.3	4,428.2	-	-
	4,768.8	4,536.6	-	-

Bank loans comprise floating rate loans. Except for \$118.6 million (2011: \$129.2 million) of loans, the bank loans are unsecured and are on bullet repayment terms. Loans amounting to \$118.6 million (2011: \$129.2 million) are secured on assets of a subsidiary and are repayable over 10 years from the year 2012.

Interest rates on bank loans denominated in Singapore dollars are based on money market rates ranging from 0.70% to 1.36% (2011: 0.71% to 2.87%) per annum. Interest rates on foreign currency bank loans are based on money market rates ranging from 4.87% to 6.90% (2011: 4.79% to 6.80%) per annum.

19 Debt obligations

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Current	313.0	892.1	-	-
Non-current	10,948.6	9,942.7	362.1	362.3
	11,261.6	10,834.8	362.1	362.3

Debt obligations comprise commercial bills, floating rate notes and fixed rate notes. These obligations are on bullet repayment terms.

Interest rates on debt obligations denominated in Singapore dollars range from 1.24% to 5.07% (2011: 0.38% to 5.07%) per annum. Interest rates on foreign currency debt obligations range from 1.50% to 7.58% (2011: 2.25% to 7.58%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

20 Other financial liabilities

	Note	Group		Company	
		2012 \$ million	Restated 2011 \$ million	2012 \$ million	Restated 2011 \$ million
Current					
Derivative liabilities		59.8	31.4	2.3	0.1
Back-to-back financial guarantee issued by holding company	14	-	32.8	-	32.8
Intra-group financial guarantees		-	-	22.4	34.5
		59.8	64.2	24.7	67.4
Non-current					
Derivative liabilities		1,782.6	1,829.5	18.4	18.2
		1,782.6	1,829.5	18.4	18.2

Financial guarantee contracts

The Company issued unsecured guarantees to:

- (a) a related corporation, when it was previously a subsidiary of the Company. Under the guarantee arrangement, the Company acts as a guarantor for payment obligations in relation to a ship or pay arrangement between the related corporation and its supplier to purchase 2,380 trillion BTU of natural gas over a period of twenty years from the first delivery in 2003 at an agreed pricing formula. Correspondingly, the Company is unconditionally and irrevocably counter-indemnified by its holding company on the guarantee. The related corporation has been assigned a Moody's rating of Aa2 and A1 in June 2006 and December 2008 respectively, pursuant to Clause 15.14 of the Gas Sales Agreement between the related corporation and its supplier. The guarantee arrangement has been extinguished during the financial year.
- (b) a subsidiary in relation to bank loans amounting to A\$1,890 million (2011: A\$2,090 million) with remaining terms ranging from 1 to 4 years. The Company does not consider it to be probable that a claim will be made against the Company under the guarantee.

21 Other non-current liabilities

	Note	Group		Company	
		2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Deferred income	22	638.5	669.1	-	-
Provisions	23	105.7	100.2	1.6	1.6
Defined benefit liabilities	27	125.3	49.6	-	-
Liability for employee entitlements		49.7	57.7	-	-
Others		73.9	6.1	2.3	-
		993.1	882.7	3.9	1.6

NOTES TO THE FINANCIAL STATEMENTS

22 Deferred income

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Government grants	67.3	67.3	-	-
Customer contributions	805.6	810.5	-	-
	872.9	877.8	-	-
Accumulated accretion:				
Government grants	(33.1)	(30.9)	-	-
Customer contributions	(201.3)	(177.8)	-	-
	(234.4)	(208.7)	-	-
	638.5	669.1	-	-

Movements in accumulated accretion are as follows:

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Government grants				
At 1 April	30.9	28.8	-	-
Accretion	2.2	2.1	-	-
At 31 March	33.1	30.9	-	-
Customer contributions				
At 1 April	177.8	154.4	-	-
Accretion	23.5	23.0	-	-
Translation differences	-	0.4	-	-
At 31 March	201.3	177.8	-	-

NOTES TO THE FINANCIAL STATEMENTS

23 Provisions

Group	Environmental \$ million	Contingent consideration on acquisition of subsidiaries \$ million	Stamp duty \$ million	Decomm- issioning \$ million	Provision for customer rebates \$ million	Others \$ million	Total \$ million
At 1 April 2010	36.9	3.8	64.3	13.6	7.9	59.3	185.8
Provision made	17.5	3.0	-	3.2	12.1	8.1	43.9
Reversal of provision	-	-	(3.3)	(5.0)	-	(20.5)	(28.8)
Provision utilised	(0.9)	(1.8)	-	-	(12.2)	(13.5)	(28.4)
Translation differences	2.8	-	0.9	0.2	0.1	1.2	5.2
At 31 March 2011	56.3	5.0	61.9	12.0	7.9	34.6	177.7
Provision made	8.8	-	3.0	4.9	27.3	52.4	96.4
Reversal of provision	(3.0)	(1.7)	(3.6)	-	(2.6)	(15.6)	(26.5)
Provision utilised	-	(3.3)	-	-	(18.9)	(26.0)	(48.2)
Translation differences	0.1	-	0.1	-	-	0.1	0.3
At 31 March 2012	62.2	0.0	61.4	16.9	13.7	45.5	199.7

	Note	Group 2012 \$ million	Group 2011 \$ million
Current	25	94.0	77.5
Non-current	21	105.7	100.2
		199.7	177.7

Environmental

Environmental provision represents an estimate of the cost of the rehabilitation of sites, including the estimated costs of reclamation, plant dismantling and closures, and waste site closures. It is expected that approximately 6.3% (2011: 2.7%) of the provision will be utilised during the financial year ending 31 March 2013, with the balance to be utilised subsequently in the period to 31 March 2036.

Contingent consideration on acquisition

This provision is made for purchase consideration that is contingent on the relevant businesses achieving certain performance criteria for specific period as specified in an "earn-out" clause in the sale and purchase agreements.

Stamp duty

Stamp duty provisions relate to the Group's prior years' acquisitions in Australia.

Decommissioning

A provision for decommissioning is recognised when the entity has a legal or constructive obligation as a result of a past event. The expected future decommissioning cost is discounted using a pre-tax rate which is the basis of the provision recognised. The unwinding of the discount increases the net present value of the expected liability over time, which is recognised as an interest expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

23 Provisions (Cont'd)

Provision for customer rebates

Provision for customer rebates represents an assessment of the rebates payable to the customer for costs incurred by the customer in the construction of low voltage and high voltage infrastructure for turnkey projects in the electricity distribution business.

Others

Other provisions relate mainly to the general operations of the business including defect liability, provision for foreseeable losses on projects and reinstatement costs.

24 Trade and other payables

	Note	Group		Company	
		2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Trade payables		327.2	281.5	2.6	1.0
Customers' deposits		381.7	320.7	-	-
Balances with related corporations	26	32.3	15.3	3,911.0	4,184.4
Liability for employee entitlements		196.9	186.4	1.6	1.4
Other payables and accruals	25	1,182.5	1,080.2	17.4	20.1
		2,120.6	1,884.1	3,932.6	4,206.9

Payables are denominated mainly in the functional currencies of the respective entities of the Group.

25 Other payables and accruals

	Note	Group		Company	
		2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Advance receipts		119.9	99.8	0.1	0.1
Interest payable		178.1	184.5	5.2	5.3
Accrued operating and capital expenditure		693.9	639.4	12.1	14.7
Provisions	23	94.0	77.5	-	-
Other payables		96.6	79.0	-	-
		1,182.5	1,080.2	17.4	20.1

Payables are denominated mainly in the functional currencies of the respective entities of the Group.

NOTES TO THE FINANCIAL STATEMENTS

26 Balances with related corporations

Note	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Amounts due from subsidiaries:				
- trade	-	-	17.8	16.2
- non-trade	-	-	6,045.3	6,386.3
Amounts due from related corporations (trade)	20.5	13.2	-	-
	20.5	13.2	6,063.1	6,402.5
Amounts due to subsidiaries:				
- trade	-	-	1.1	4.3
- non-trade	-	-	3,909.9	4,180.1
Amounts due to related corporations (trade)	32.3	15.3	-	-
	32.3	15.3	3,911.0	4,184.4

Balances with related corporations are unsecured, with credit terms ranging from 7 to 30 days and are denominated in Singapore dollars.

All the balances with subsidiaries are unsecured, repayable on demand and denominated in Singapore dollars. Non-trade amounts due to and from subsidiaries of \$810.2 million (2011: \$1,254.7 million) and \$8.4 million (2011: \$3.4 million) respectively, bear interest at rates ranging from 0.23% to 0.82% (2011: 0.24% to 3.06%) per annum. All other amounts are otherwise non-interest bearing.

27 Defined benefit assets and liabilities

Defined benefit plans

Permanent employees and casual employees of the Australia subsidiaries are entitled to benefits on retirement, disability or death from the SuperSolutions Master Trust, Equipsuper schemes or the Electricity Industry Superannuation Scheme (for employees based in South Australia). Some directors and senior executives of the Australia subsidiaries have elected to have equivalent superannuation contributions paid into other approved funds.

SuperSolutions Master Trust and Equipsuper schemes

The SuperSolutions and Equipsuper defined benefit superannuation plans provide defined benefit amounts to employees or their dependents upon retirement, death, disablement and withdrawal. Benefits are mostly in the form of a lump sum based on the employee's final average salary although some defined benefit members are also eligible for pension benefits in some cases. The defined benefit sections of the plans are closed to new members. All new members receive defined contribution and accumulation style benefits.

Actuarial valuations of the funds were performed by Mercer Investment Nominees Limited and Russell Investment Group. The net deficit and asset positions of the funds, together with the actuarial assumptions, are set out below. The Group has a legal liability to make up the deficit in the plans but no legal right to use any surplus in the plans to further its own interests.

NOTES TO THE FINANCIAL STATEMENTS

27 Defined benefit assets and liabilities (Cont'd) SuperSolutions Master Trust and Equisuper schemes (Cont'd)

	Group	
	2012	2011
Key assumptions used (expressed as weighted averages):		
Discount rate, per annum	3.9%	5.0%
Expected return on plan assets, per annum	7.1%	7.1%
Expected rate of salary increase, per annum	4.5%	4.3%
Expected pension increase rate, per annum	3.2%	3.6%
	2012	2011
	\$ million	\$ million
Movements in funded obligations:		
At 1 April	(572.4)	(566.1)
Benefits paid by the plan	43.7	29.7
Current service cost	(13.0)	(13.2)
Interest cost	(27.4)	(27.1)
Contributions by plan participants	(8.5)	(7.8)
Actuarial (loss)/gain recognised in other comprehensive income	(87.7)	21.2
Acquired in business combinations	-	(1.2)
Translation differences	1.7	(7.9)
At 31 March	(663.6)	(572.4)
Movements in plan assets:		
At 1 April	522.8	493.6
Contributions from employers	30.0	25.7
Contributions by plan participants	8.5	7.8
Benefits paid by the plan	(43.7)	(29.7)
Expected return on plan assets	35.6	32.7
Actuarial losses recognised in other comprehensive income	(13.3)	(16.3)
Acquired in business combinations	-	1.2
Translation differences	(1.6)	7.8
At 31 March	538.3	522.8
Amounts recognised in profit or loss:		
Current service cost	13.0	13.2
Interest cost	27.4	27.1
Expected return on plan assets	(35.6)	(32.7)
Total	4.8	7.6

NOTES TO THE FINANCIAL STATEMENTS

27 Defined benefit assets and liabilities (Cont'd) SuperSolutions Master Trust and Equisuper schemes (Cont'd)

	2012 \$ million	2011 \$ million
Amounts recognised in other comprehensive income:		
Actuarial (loss)/gain recognised in other comprehensive income	(101.0)	4.9
Less: Deferred tax	30.3	(1.5)
Actuarial (loss)/gain recognised in the statement of other comprehensive income	(70.7)	3.4
Amounts recognised in the balance sheet:		
Present value of funded obligations	(663.6)	(572.4)
Fair value of plan assets	538.3	522.8
Present value of defined benefit liabilities	(125.3)	(49.6)

	2012 %	Group	2011 %
The analysis of plan assets in each category is as follows:			
Australian equities	34		35
International equities	28		27
Fixed interest securities	11		12
Property	9		9
Cash	6		6
Others	12		11
	100		100

The assumption on the expected return on plan assets is determined by weighting the long term return for each asset class by the target allocation of assets to each class and allowing for correlation of the investment returns between asset classes. The returns used for each class are net of investment tax and investment fees. An allowance for administrative expenses has been deducted from the expected return.

Trend analysis

Amounts for the current and previous periods are as follows:

Group	2012 \$ million	2011 \$ million	2010 \$ million	2009 \$ million	2008 \$ million
Defined benefit obligations	(663.6)	(572.4)	(566.1)	(490.5)	(493.8)
Plan assets	538.3	522.8	493.6	319.9	499.7
(Deficit)/Surplus	(125.3)	(49.6)	(72.5)	(170.6)	5.9
Experience adjustments loss/(gains) on plan liabilities	31.9	(23.0)	3.6	31.7	13.6
Experience adjustments gain/(loss) on plan assets	13.3	16.9	60.2	(99.1)	(20.4)

The Group expects \$27.2 million in contributions to be paid to its defined benefit plans in 2013.

NOTES TO THE FINANCIAL STATEMENTS

28 Revenue

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Sale of electricity and gas	3,735.0	3,330.0	-	-
Electricity and gas transmission and distribution revenue *	3,660.8	3,361.5	-	-
Capital and maintenance works income	846.9	671.5	-	-
Management fees	108.5	175.7	-	-
Market support services licence income	36.1	35.7	-	-
Agency fees	67.2	63.6	-	-
Dividend income from subsidiaries	-	-	379.9	381.7
Rental income	-	-	1.0	1.0
Support service income	-	-	71.6	57.2
Customers' contributions	75.0	72.9	-	-
Others	132.8	93.6	0.9	0.1
	8,662.3	7,804.5	453.4	440.0

* Electricity transmission and distribution revenue comprises use of system charges, net of rebates and is adjusted in accordance to the price regulatory framework.

29 Other income

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Accretion of deferred income	25.7	25.1	-	-
Income relating to diversion jobs	41.6	46.4	-	-
Income relating to supply of telecommunication systems	30.3	29.3	-	-
Consultancy income	39.5	34.9	-	-
Rental income	21.2	19.0	-	-
Ancillary service income	30.3	19.1	-	-
Exchange gain	-	-	-	0.1
Property tax refund	-	81.6	-	-
Others	238.1	159.6	-	-
	426.7	415.0	-	0.1

NOTES TO THE FINANCIAL STATEMENTS

30 Finance income

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Interest income from:				
- Subsidiaries	-	-	13.4	15.0
- Associates	-	3.5	-	-
- Banks	5.0	25.8	-	-
- Finance lease	4.7	5.7	-	-
Amortisation of financial guarantee, net of effect of back-to-back guarantee	-	-	12.2	30.2
Defined benefit interest income	35.6	32.7	-	-
Others	6.2	5.2	-	-
	51.5	72.9	25.6	45.2

31 Finance costs

	Note	Group		Company	
		2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Interest expense payable or paid to:					
- Subsidiaries		-	-	12.4	12.4
- Banks		250.3	283.7	0.1	3.1
- Debt obligations		531.5	438.9	12.0	12.6
Net change in fair value of cash flow hedges transferred from equity		290.0	353.6	-	-
Loss/(gain) arising from financial assets and liabilities in a fair value hedge					
- hedged item		269.5	(209.1)	0.2	0.3
- hedged instrument		(272.0)	220.3	(0.2)	(0.3)
Net change in fair value of financial assets and liabilities at fair value through profit or loss		(13.6)	(2.1)	-	0.7
Amortisation of transaction costs capitalised		18.4	29.3	0.7	2.6
Ineffective portion of changes in fair value of cash flow hedge		(11.4)	8.9	-	-
Defined benefit interest expenses	27	27.4	27.1	-	-
Others		1.1	12.2	1.3	1.4
		1,091.2	1,162.8	26.5	32.8
Borrowing costs capitalised in property, plant and equipment	4	(32.8)	(42.8)	-	-
		1,058.4	1,120.0	26.5	32.8

NOTES TO THE FINANCIAL STATEMENTS

32 Tax expense

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Current tax expense				
Current year	203.1	181.3	2.8	2.4
(Over)/under provision in respect of prior years	(3.9)	(22.8)	0.2	(0.1)
	199.2	158.5	3.0	2.3
Deferred tax expense				
Origination and reversal of temporary differences	63.8	53.0	(0.8)	(1.2)
Over provision in respect of prior years	(9.1)	(13.5)	-	-
	54.7	39.5	(0.8)	(1.2)
Total tax expense	253.9	198.0	2.2	1.1

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Reconciliation of effective tax rate:				
Profit before total tax expense	1,362.5	1,290.1	390.0	397.7
Tax calculated using Singapore tax rate of 17% (2011: 17%)	231.6	219.3	66.3	67.6
Effect of different tax rate in other countries	96.8	83.3	-	-
Non-deductible expenses	17.6	22.4	2.5	3.5
Non-taxable income and tax allowances	(57.1)	(86.5)	(66.8)	(69.9)
(Over)/under provision in respect of prior years:				
- current tax	(3.9)	(22.8)	0.2	(0.1)
- deferred tax	(9.1)	(13.5)	-	-
Share of loss of associates and joint venture	(11.1)	(12.4)	-	-
Others	(10.9)	8.2	-	-
	253.9	198.0	2.2	1.1

NOTES TO THE FINANCIAL STATEMENTS

32 Tax expense (Cont'd)

Income tax recognised in other comprehensive income	Before tax \$ million	2012 Tax expense/ (credit) \$ million	Net of tax \$ million	Before tax \$ million	2011 Tax expense/ (credit) \$ million	Net of tax \$ million
Group						
Translation gain relating to financial statements of foreign subsidiaries	9.6	-	9.6	180.8	-	180.8
Effective portion of changes in fair value of cash flow hedges	(403.8)	118.7	(285.1)	(421.8)	114.8	(307.0)
Reversal of changes in fair value of cash flow hedges included in profit or loss	290.0	(79.2)	210.8	353.6	(95.7)	257.9
Reversal of changes in fair value of cash flow hedges on recognition of the hedged item on balance sheet	15.6	(4.4)	11.2	22.9	(6.2)	16.7
Actuarial (loss)/gains on defined benefit plans	(101.0)	30.3	(70.7)	4.9	(1.5)	3.4
	(189.6)	65.4	(124.2)	140.4	11.4	151.8

33 Profit for the year

The following items have been included in arriving at profit/(loss) for the year:

	Note	Group		Company	
		2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Loss/(gain) on disposal of property, plant and equipment		22.4	14.7	(0.1)	-
Impairment loss/(reversal) on trade receivables (net)	13	9.0	(10.2)	-	-
Gain on liquidation of subsidiary		-	-	(0.6)	-
Fees paid to non-executive directors		0.9	0.8	0.9	0.8
Operating lease expense		61.6	53.0	10.7	9.5
Exchange loss/(gain), net		0.3	6.1	-	(0.1)
Contributions to defined contribution plans included in staff costs		63.4	61.7	2.8	2.6
Short-term employee benefits for key management personnel included in staff costs (including executive directors)		10.5	8.4	6.8	4.9

NOTES TO THE FINANCIAL STATEMENTS

34 Related parties

For the purpose of the financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company is a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek"), which is its holding company and is incorporated in the Republic of Singapore. Temasek is an investment company headquartered in Singapore with a diversified investment portfolio. Accordingly, all the subsidiaries of Temasek are related corporations and are subject to common control. The Group and the Company engage in a wide variety of transactions with related corporations in the normal course of business on terms similar to those available to other customers. Such transactions include but are not limited to sales and purchases of power, provision of consultancy and engineering services, leasing of cables and ducts, agency services and financial and banking services. The related party transactions are carried out on terms negotiated between the parties which are intended to reflect competitive terms.

All electricity and gas supplies to companies in the Temasek group are related party transactions. The Temasek group has extensive interests in a large number of companies and it is not practical to compile data on the value of electricity and gas sales to the Temasek group. As the Group's rates for electricity and gas sales are based on posted tariffs approved by the electricity industry authorities in Singapore and Australia, the Group has concluded that it is not meaningful to present information relating to such transmission income and electricity and gas sales.

Other than electricity and gas sales and transactions to related corporations included under Temasek Group and those sales and transactions disclosed elsewhere in the financial statements, significant transactions with related parties are as follows:

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Related corporations				
- Electricity and gas transmission revenue	262.4	237.3	-	-
- Agency fee income	17.7	16.6	-	-
- Revenue from leasing of ducts and substations	23.3	22.7	-	-
Subsidiaries				
- Dividend income	-	-	379.9	381.7
- Support service income	-	-	71.6	57.2
- Interest income	-	-	13.4	15.0
- Interest expenses	-	-	(12.4)	(12.4)

NOTES TO THE FINANCIAL STATEMENTS

35 Operating segments

(a) Analysis by business segment

The Group is organised into four main reportable segments, namely:

- Singapore Transmission & Distribution (“T&D”) segment - Includes transmission and distribution of electricity and gas.
- Australia segment - Includes mainly the transmission and distribution of electricity and gas and asset management business.
- Market support business segment - Includes sales of electricity, market support services to the electricity market and provision of support services for mainly the local utility suppliers and waste collection service providers.
- Others - Includes investment holding services, management consultancy services, leasing of ducts and substations, district cooling services, engineering and commission services in the field of power quality monitoring system, protection systems, power systems and substation control system.

The chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

NOTES TO THE FINANCIAL STATEMENTS

35 Operating segments (Cont'd)

(a) Analysis by business segment (Cont'd)

Information about reportable segments

2012	Singapore T&D segment \$ million	Australia segment \$ million	Market Support Business segment \$ million	Others \$ million	Inter- segment Elimination \$ million	Total \$ million
External revenue	768.2	3,977.4	3,838.5	78.2	-	8,662.3
Inter-segment revenue	626.5	-	50.3	-	(676.8)	-
	1,394.7	3,977.4	3,888.8	78.2	(676.8)	(8,662.3)
Segment result	1,187.2	2,072.7	77.3	460.2	(395.8)	3,401.6
Depreciation	(416.4)	(560.2)	(4.6)	(20.1)	-	(1,001.3)
Amortisation	(10.4)	(72.4)	(11.9)	(1.3)	-	(96.0)
Finance income	16.4	41.2	5.7	14.0	(25.8)	51.5
Finance costs	(249.4)	(804.1)	-	(30.7)	25.8	(1,058.4)
Share of loss of associates	-	(14.1)	-	-	-	(14.1)
Share of profits of joint venture	-	79.2	-	-	-	79.2
Profit/(loss) before taxation	527.4	742.3	66.5	422.1	(395.8)	1,362.5
Income tax expense	(82.1)	(135.8)	(11.9)	(24.1)	-	(253.9)
Profit/(loss) for the year	445.3	606.5	54.6	398.0	(395.8)	1,108.6
Segment assets and liabilities						
Other assets	9,603.9	20,979.0	872.5	882.6	(1,388.9)	30,949.1
Associates and joint ventures	-	1,417.3	-	-	-	1,417.3
Segment assets	9,603.9	22,396.3	872.5	882.6	(1,388.9)	32,366.4
Segment liabilities	8,533.4	13,060.2	677.3	1,548.0	(1,389.1)	22,429.8
Capital expenditure	509.5	1,513.1	15.7	21.9	-	2,060.2

NOTES TO THE FINANCIAL STATEMENTS

35 Operating segments (Cont'd)

(a) Analysis by business segment (Cont'd)

Information about reportable segments (Cont'd)

2011	Singapore T&D segment \$ million	Australia segment \$ million restated	Market Support Business segment \$ million	Others \$ million	Inter- segment Elimination \$ million	Total \$ million restated
External revenue	774.0	3,549.1	3,430.6	50.8	-	7,804.5
Inter-segment revenue	623.3	-	36.8	-	(660.1)	-
	1,397.3	3,549.1	3,467.4	50.8	(660.1)	7,804.5
Segment result	1,277.9	1,860.9	72.9	702.7	(661.8)	3,252.6
Depreciation	(396.6)	(480.9)	(4.5)	(19.4)	-	(901.4)
Amortisation	(14.1)	(71.5)	(10.7)	(1.1)	-	(97.4)
Finance income	17.2	62.0	5.8	15.3	(27.4)	72.9
Finance costs	(289.5)	(776.1)	-	(37.8)	27.4	(1,076.0)
Share of profits						
of associates	-	8.7	-	-	-	8.7
Share of profits						
of joint venture	-	64.5	-	-	-	64.5
Other material non-cash items:						
- Loss on de-designation						
of hedging relationships	-	(44.0)	-	-	-	(44.0)
- Reversal of doubtful						
debt provision	-	10.2	-	-	-	10.2
Profit/(loss) before taxation	594.9	633.8	63.5	659.7	(661.8)	1,290.1
Income tax expense	(109.6)	(61.8)	(10.3)	(16.3)	-	(198.0)
Profit/(loss) for the year	485.3	572.0	53.2	643.4	(661.8)	1,092.1
Segment assets and liabilities						
Other assets	9,459.2	20,394.1	862.6	784.1	(1,683.8)	29,816.2
Associates and						
joint ventures	-	1,277.2	-	-	-	1,277.2
Segment assets	9,459.2	21,671.3	862.6	784.1	(1,683.8)	31,093.4
Segment liabilities	8,580.6	12,338.4	622.1	1,846.5	(1,682.3)	21,705.3
Capital expenditure	458.7	1,221.6	20.5	40.3	-	1,741.1

NOTES TO THE FINANCIAL STATEMENTS

35 Operating segments (Cont'd)

(b) Analysis by types of services

Turnover is based on services rendered regardless of geographical areas of the operations or assets.

	2012 \$ million	2011 \$ million
Sales of electricity	3,735.0	3,330.0
Electricity transmission and distribution	2,449.4	2,279.0
Gas transmission and distribution	1,211.4	1,082.5
Asset management revenue	955.4	847.2
Market support services licence income	36.1	35.7
Agency fees from utility suppliers	67.2	63.6
Others	207.8	166.5
	8,662.3	7,804.5

(c) Analysis by geographic areas

Turnover is based on location of the operations. Non-current assets, excluding derivative financial instruments and deferred tax assets, are based on location of those assets.

	Turnover		Non-current assets	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Singapore	4,684.9	4,255.4	8,390.2	8,336.3
Australia	3,977.4	3,549.1	21,193.1	20,170.3
	8,662.3	7,804.5	29,583.3	28,506.6

36 Acquisition of subsidiaries

The Group acquired 100% of the issued share capital of Schultz Plumbing Pty Ltd on 21 October 2010. During the current financial year, the Group made further payment of A\$2.4 million, completing the contingent consideration payment.

The effect of the acquisitions on assets and liabilities of the Group was as follows:

	Note	2011 \$ million
Property, plant and equipment	4	1.4
Intangibles	5	5.1
Other non-current assets		0.2
Current assets		0.9
Current liabilities		(0.5)
Non-current liabilities		(1.7)
Net identifiable assets and liabilities		5.4
Goodwill on acquisition	5	14.8
Purchase consideration		20.2
Less:		
Deferred consideration payable		3.0
Net cash outflow		17.2

There is no acquisition or divestment of subsidiaries during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

37 Financial risk management

The Group's activities expose it to foreign currency, interest rate, credit and liquidity risks which arise in the normal course of business. The Group manages its exposure to these risks in accordance with its risk management policies. The Finance Committee and Board Risk Management Committee review and approve risk management policies. The Board Risk Management Committee assists the Board of Directors in managing the risks in the Group.

The Group utilises a variety of financial instruments to manage its exposure to interest rate and foreign exchange risks, including:

- spot and forward foreign exchange contracts;
- interest rate swaps; and
- cross currency interest rate swaps.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The material financial risks associated with the Group's activities are each described below, together with details of the Group's policies for managing the risk.

Foreign currency risk

The Group is exposed to foreign currency risks from borrowing activities, purchase, supply and installation contracts, and trade creditors which are denominated in currencies other than Singapore dollars (or the functional currency in the case of foreign subsidiaries).

The objective of the Group's risk management policies is to mitigate foreign exchange risk by utilising various hedging instruments. The Group therefore considers avoidable currency risk exposure to be minimal for the Group.

The Group enters into cross-currency swaps to manage exposures arising from foreign currency borrowings including the US dollar, Sterling Pound, Japanese Yen and Euro. Under cross-currency interest rate swaps, the Group agrees to exchange specified foreign currency principal and interest amounts at an agreed future date at a pre-determined exchange rate. Such contracts enable the Group to mitigate the risk of adverse movements in foreign exchange rates. Except where a foreign currency borrowing is taken with the intention of providing a natural hedge by matching the underlying cash flows, all foreign currency borrowings are swapped back to Singapore dollars or the functional currency of the subsidiary concerned. For foreign exchange swaps that do not meet the requirements of hedge accounting, changes in fair value are recorded in the income statement.

The Group uses forward foreign exchange contracts to substantially hedge foreign currency risk attributable to purchase transactions. The maturities of the forward foreign exchange contracts are intended to match the forecast progress payments of the supply and installation contracts. Whenever necessary, the forward foreign exchange contracts are either rolled over at maturity or translated into foreign currency deposits, whichever is more cost efficient.

The Group's investments in its overseas subsidiaries, which are denominated in foreign currencies, are managed on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS

37 Financial risk management (Cont'd)

Foreign currency risk (Cont'd)

As at 31 March 2012, the Group has outstanding forward foreign exchange contracts with notional amounts of approximately \$769.0 million (2011: \$320.8 million). The net fair value of forward foreign exchange contracts for the Group at 31 March 2012 was \$30.9 million (2011: \$5.5 million) comprising assets of \$7.2 million (2011: \$49.2 million) and liabilities of \$38.1 million (2011: \$43.7 million). These amounts were recognised as derivative assets and liabilities in other receivables and other financial liabilities respectively.

As at 31 March 2012, the Company has outstanding forward foreign exchange contracts with notional amounts of approximately \$247.4 million (2011: \$0.7 million). The net fair value of forward exchange contracts for the Company as at 31 March 2012 was valued at zero. As at 31 March 2011, the net fair value of forward exchange contracts for the Company was zero. These amounts are recognised as derivative assets and liabilities in other receivables and other financial liabilities respectively.

NOTES TO THE FINANCIAL STATEMENTS

37 Financial risk management (Cont'd)

Foreign currency risk (Cont'd)

As at 31 March 2012, if the functional currencies of the companies in the Group had moved against each of the currencies as illustrated in the table below, with all other variables held constant, profit before tax and equity would have been affected as below:

	Group		Company	
	Profit	Equity	Profit	Equity
	before tax	(hedging	before tax	(hedging
	\$ million	reserve)	\$ million	reserve)
		\$ million		\$ million
Judgements of reasonably possible movements – increase/(decrease):				
2012				
United States Dollar				
Increase of 10.7 per cent and 22 per cent by S\$ functional currency and A\$ functional currency respectively against US\$	(0.9)	(50.4)	-	-
Decrease of 10.7 per cent and 22 per cent by S\$ functional currency and A\$ functional currency respectively against US\$	3.2	75.7	-	-
Sterling Pound				
Increase of 22.5 per cent by A\$ functional currency	(0.1)	(4.5)	-	-
Decrease of 22.5 per cent by A\$ functional currency	0.6	4.8	-	-
Euro				
Increase of 13.3 per cent and 22.5 per cent by S\$ functional currency and A\$ functional currency respectively against Euro	-	(9.7)	-	-
Decrease of 13.3 per cent and 22.5 per cent by S\$ functional currency and A\$ functional currency respectively against Euro	1.2	11.7	-	-
Japanese Yen				
Increase of 12.7 per cent by S\$ functional currency against Japanese Yen	-	(6.5)	-	-
Decrease of 12.7 per cent by S\$ functional currency against Japanese Yen	-	6.5	-	-

NOTES TO THE FINANCIAL STATEMENTS

37 Financial risk management (Cont'd)

Foreign currency risk (Cont'd)

	Group Profit before tax \$ million	Group Equity (hedging reserve) \$ million	Company Profit before tax \$ million	Company Equity (hedging reserve) \$ million
Judgements of reasonably possible movements – increase/(decrease):				
2011				
United States Dollar				
Increase of 10.1 per cent and 22 per cent by S\$ functional currency and A\$ functional currency respectively against US\$	7.2	(69.5)	-	-
Decrease of 10.1 per cent and 22 per cent by S\$ functional currency and A\$ functional currency respectively against US\$	(6.9)	106.4	-	-
Sterling Pound				
Increase of 12.0 per cent by A\$ functional currency	-	(13.0)	-	-
Decrease of 12.0 per cent by A\$ functional currency	-	16.6	-	-
Euro				
Increase of 12.6 per cent and 21.75 per cent by S\$ functional currency and A\$ functional currency respectively against Euro	-	(6.4)	-	-
Decrease of 12.6 per cent and 21.75 per cent by S\$ functional currency and A\$ functional currency respectively against Euro	-	9.1	-	-
Japanese Yen				
Increase of 14.9 per cent by S\$ functional currency against Japanese Yen	-	(6.0)	-	-
Decrease of 14.9 per cent by S\$ functional currency against Japanese Yen	-	6.0	-	-

The judgements of reasonably possible movements were determined using statistical analysis of the 90th percentile (for Singapore operations) and the 95th percentile (for Australia operations) best and worst expected outcomes having regard to actual historical exchange rate data over the previous five years. Management considers that past movements are a reasonable basis for determining possible movements in foreign currency exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

37 Financial risk management (Cont'd)

Interest rate risk

The Group manages its interest rate exposure by maintaining a significant portion of its debt at fixed interest rates. This is done by the (i) issuance of fixed rate debt; (ii) use of interest rate swaps to convert variable rate debt to fixed rate debt; or (iii) use of cross currency interest rate swaps to convert fixed or variable rate non-functional currency denominated debt to fixed rate functional currency denominated debt.

The use of derivative financial instruments relates directly to the underlying existing and anticipated indebtedness.

As at 31 March 2012, the Group has interest rate and cross currency interest rate swaps with a notional amount of \$40,850.1 million (2011: \$35,198.8 million). The Group classifies these swaps as cash flow and fair value hedges except for swaps of notional amount of \$7,192.2 million (2011: \$5,518.1 million) that do not meet the requirements of hedge accounting in which case changes in fair value are recorded in the income statement. The net fair value of swaps of the Group as at 31 March 2012 was \$1,310.1 million (2011: \$1,506.7 million) comprising assets of \$494.2 million (2011: \$310.5 million) and liabilities of \$1,804.3 million (2011: \$1,817.2 million). These amounts are recognised as derivative assets and liabilities in other receivables and other financial liabilities respectively. The Group's excess funds are principally invested in bank deposits of varying maturities to match its cash flow needs.

As at 31 March 2012, the Company has cross currency interest rate swaps with a notional amount of \$118.3 million (2011: \$118.3 million). The Company classifies these swaps as fair value hedges. The net fair value of swaps of the Company as at 31 March 2012 was \$2.9 million (2011: \$3.1 million) comprising assets of \$21.3 million (2011: \$21.4 million) and liabilities of \$18.4 million (2011: \$18.3 million). These amounts are recognised as derivative assets and liabilities in other receivables and other financial liabilities respectively.

NOTES TO THE FINANCIAL STATEMENTS

37 Financial risk management (Cont'd)

Interest rate risk (Cont'd)

At the reporting date, if interest rates had moved as illustrated in the table below, with all other variables held constant, profit before tax and equity would have been affected as follows:

	Group		Company	
	Profit before tax \$ million	Equity (hedging reserve) \$ million	Profit before tax \$ million	Equity (hedging reserve) \$ million
Judgements of reasonably possible movements – increase/(decrease):				
2012				
81 basis points and 323 basis points increase for Singapore and Australia operations respectively	2.0	557.0	(6.0)	-
81 basis points and 323 basis points decrease for Singapore and Australia operations respectively	(5.5)	(643.6)	6.0	-
2011				
141 basis points and 327 basis points increase for Singapore and Australia operations respectively	(6.1)	642.7	(18.2)	-
141 basis points and 327 basis points decrease for Singapore and Australia operations respectively	10.4	(791.2)	18.2	-

The judgements of reasonably possible movements were determined using statistical analysis of the 90th percentile (for Singapore operations) and the 95th percentile (for Australia operations) best and worst expected outcomes having regard to actual historical interest rate data over the previous five years based on the six-month Singapore swap offer rate (for Singapore operations) and three-month Australia bank bill swap rate (for Australia operations). Management considers that past movements are a reasonable basis for determining possible movements in interest rates.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from the Group's financial assets, comprising cash and cash equivalents, trade and other receivables and other financial instruments.

Surplus funds are invested in interest bearing deposits with financial institutions with good credit ratings assigned by international credit rating agencies. Counterparty risks are managed by limiting exposure to any individual counterparty. The Group's portfolio of financial instruments is entered into with a number of creditworthy counterparties, thereby mitigating concentration of credit risk. The Group held cash and cash equivalents of \$588.9 million (2011: \$234.9 million) which represents its maximum exposure on these assets.

NOTES TO THE FINANCIAL STATEMENTS

37 Financial risk management (Cont'd)

Credit risk (Cont'd)

Counterparty risks on derivatives are generally restricted to any gain when marked to market, and not on the notional amount transacted. As a prudent measure, the Group enters into derivatives only with financial institutions with good credit ratings assigned by international credit rating agencies. Therefore, the possibility of a material loss arising from the non-performance by a counterparty is considered remote.

There is no significant concentration of credit risk of trade debts. The credit quality of trade and other receivables that are not past due or impaired at the reporting date is of acceptable risk. In addition to customers' deposits, the Group holds guarantees from creditworthy financial institutions to secure the obligations of certain customers.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group adopts prudent liquidity risk management by maintaining sufficient cash and liquid financial assets, and ensures the availability of funding through an adequate level of bank credit lines and the establishment of medium term note programmes.

NOTES TO THE FINANCIAL STATEMENTS

37 Financial risk management (Cont'd)

Liquidity risk (Cont'd)

The following are the expected contractual undiscounted cash flows of financial liabilities, including interest payments and excluding the impact of netting agreements:

Group	Carrying amount \$ million	Total contractual cash inflows/ (outflows) \$ million	Within 1 year \$ million	1 - 2 years \$ million	2 - 5 years \$ million	More than 5 years \$ million
2012						
Non-derivative financial liabilities						
Trade and other payables*	(1,328.1)	(1,328.1)	(1,328.1)	-	-	-
Borrowings	(16,030.4)	(18,827.1)	(2,939.5)	(2,776.0)	(7,280.3)	(5,831.3)
Derivatives						
Derivative assets						
Interest rate swaps/ Cross currency interest rate swaps	494.2	303.6	120.3	147.1	77.0	(40.8)
Forward exchange contracts						
- Inflow		463.7	449.1	14.6	-	-
- Outflow		(454.7)	(440.5)	(14.2)	-	-
	7.2	9.0	8.6	0.4		
Derivative liabilities						
Interest rate swaps/ Cross currency interest rate swaps	(1,804.3)	(2,559.7)	(442.8)	(990.0)	(732.7)	(394.2)
Forward exchange contracts						
- Inflow		387.8	319.1	68.5	0.2	-
- Outflow		(428.8)	(348.6)	(80.0)	(0.2)	-
	(38.1)	(41.0)	(29.5)	(11.5)	-	-
Total	(18,699.5)	(22,443.3)	(4,611.0)	(3,630.0)	(7,936.0)	(6,266.3)

NOTES TO THE FINANCIAL STATEMENTS

37 Financial risk management (Cont'd)

Liquidity risk (Cont'd)

Group	Carrying amount \$ million	Total contractual cash inflows/ (outflows) \$ million	Within 1 year \$ million	1 - 2 years \$ million	2 - 5 years \$ million	More than 5 years \$ million
2011						
Non-derivative financial liabilities						
Trade and other payables*	(1,199.7)	(1,199.7)	(1,199.7)	-	-	-
Borrowings	(15,371.4)	(17,961.7)	(2,581.8)	(1,102.1)	(7,907.4)	(6,370.4)
Derivatives						
Derivative assets						
Interest rate swaps/ Cross currency interest rate swaps	359.4	384.0	145.6	110.2	179.9	(51.7)
Forward exchange contracts						
- Inflow		6.0	4.7	0.9	0.4	-
- Outflow		(5.6)	(4.4)	(0.8)	(0.4)	-
	0.3	0.4	0.3	0.1	-	-
Derivative liabilities						
Interest rate swaps/ Cross currency interest rate swaps	(1,817.2)	(2,890.3)	(406.8)	(395.6)	(1,441.4)	(646.5)
Forward exchange contracts						
- Inflow		279.8	143.1	95.2	41.5	-
- Outflow		(325.4)	(162.6)	(114.0)	(48.8)	-
	(43.7)	(45.6)	(19.5)	(18.8)	(7.3)	-
Total	(18,072.3)	(21,712.9)	(4,061.9)	(1,406.2)	(9,176.2)	(7,068.6)

NOTES TO THE FINANCIAL STATEMENTS

37 Financial risk management (Cont'd)

Liquidity risk (Cont'd)

Company	Carrying amount \$ million	Total contractual cash inflows/ (outflows) \$ million	Within 1 year \$ million	1 - 2 years \$ million	2 - 5 years \$ million	More than 5 years \$ million
2012						
Non-derivative financial liabilities						
Trade and other payables*	(3,930.9)	(3,930.9)	(3,930.9)	-	-	-
Borrowings	(362.1)	(380.7)	(13.1)	(367.6)	-	-
Derivatives						
Derivative assets						
Interest rate swaps/ Cross currency interest rate swaps	21.3	21.4	0.7	20.7	-	-
Forward exchange contracts						
- Inflow		125.3	125.2	0.1	-	-
- Outflow		(122.9)	(122.8)	(0.1)	-	-
	2.3	2.4	2.4	-	-	-
Derivative liabilities						
Interest rate swaps/ Cross currency interest rate swaps	(18.4)	(18.6)	(0.1)	(18.5)	-	-
Forward exchange contracts						
- Inflow		120.2	120.2	-	-	-
- Outflow		(122.4)	(122.4)	-	-	-
	(2.3)	(2.2)	(2.2)	-	-	-
Total	(4,290.1)	(4,308.6)	(3,943.2)	(365.4)	-	-

NOTES TO THE FINANCIAL STATEMENTS

37 Financial risk management (Cont'd)

Liquidity risk (Cont'd)

Company	Carrying amount \$ million	Total contractual cash inflows/ (outflows) \$ million	Within 1 year \$ million	1 - 2 years \$ million	2 - 5 years \$ million	More than 5 years \$ million
2011						
Non-derivative financial liabilities						
Trade and other payables*	(4,205.4)	(4,205.4)	(4,205.4)	-	-	-
Borrowings	(362.3)	(393.4)	(13.1)	(13.1)	(367.2)	-
Derivatives						
Derivative assets						
Interest rate swaps/ Cross currency interest rate swaps	21.4	21.0	0.7	0.4	19.9	-
Forward exchange contracts						
- Inflow		0.3	0.3	-	-	-
- Outflow		(0.3)	(0.3)	-	-	-
	-	-	-	-	-	-
Derivative liabilities						
Interest rate swaps/ Cross currency interest rate swaps	(18.3)	(18.6)	(0.1)	(0.1)	(18.4)	-
Forward exchange contracts						
- Inflow		0.3	0.3	-	-	-
- Outflow		(0.3)	(0.3)	-	-	-
	-	-	-	-	-	-
Total	(4,564.6)	(4,596.4)	(4,217.9)	(12.8)	(365.7)	-

* Excluding advance receipts, customers' deposits, liability for employee entitlements, provisions, financial guarantees, defined benefit liability and deferred income.

NOTES TO THE FINANCIAL STATEMENTS

38 Fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Bank loans and debt obligations

Fair value is based on quoted market prices or determined by reference to the valuation provided by financial institutions at the reporting date.

Derivative financial instruments

The fair values of derivative financial instruments such as foreign exchange contracts, interest rate swaps and cross-currency interest rate swaps are based on brokers' quotes at the reporting date or calculated based on discounted cash flow techniques as appropriate.

Where discounted cash flow techniques are used, the expected future cash flows are discounted using the applicable yield curve for the relevant duration at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance lease, the market rate of interest is determined by reference to similar lease agreements.

Financial guarantee contracts

The fair value of financial guarantees provided by the Company to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rate charged by the bank with this guarantee made available, with the estimated rate that the bank would have charged had this guarantee not been available.

The fair value of a financial guarantee provided by the Company to a supplier for the benefit of a related corporation is determined based on the difference in cash flows between the committed purchases from the supplier and committed sales to end-users at the inception of the financial guarantee. The fair value of the back-to-back guarantee issued to the Company by the holding company is recognised as a financial asset of the same fair value as the financial guarantee issued for the benefit of the related corporation.

Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables) are, because of the short period to maturity, assumed to approximate their fair values. All other financial assets and liabilities are discounted to determine their fair values.

NOTES TO THE FINANCIAL STATEMENTS

38 Fair values (Cont'd)

Fair values versus carrying amounts

The Group's assets and liabilities that are carried at fair value relate to debt obligations and derivative instruments which are measured using market observable data and as such are deemed level two within the fair value hierarchy disclosure required under FRS 107 *Financial Instruments: Disclosure*.

The fair value and net fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. Appropriate transaction costs are included in the determination of net fair value.

The carrying amounts of the financial instruments carried at cost or amortised cost are not materially different from their fair values except as follows:

	2012		2011	
	Carrying amount \$ million	Fair value \$ million	Carrying amount \$ million	Fair value \$ million
Group				
Financial liabilities				
Fixed rate debt obligations	(10,928.0)	(11,468.9)	(10,073.4)	(10,636.1)
Unrecognised loss		<u>(540.9)</u>		<u>(562.7)</u>
Company				
Financial assets				
Loan note with subsidiary	359.0	376.1	359.0	384.5
Financial liabilities				
Fixed rate debt obligations	(362.1)	(371.4)	(362.3)	(379.4)
Total	<u>(3.1)</u>	<u>4.7</u>	<u>(3.3)</u>	<u>5.1</u>
Unrecognised gain		<u>7.8</u>		<u>8.4</u>

NOTES TO THE FINANCIAL STATEMENTS

38 Fair values (Cont'd)

Fair values versus carrying amounts (Cont'd)

The table below sets out the comparison by category of carrying amounts of all the Group's financial instruments, shown in the balance sheets:

	Loans and receivables \$ million	Fair value through profit or loss \$ million	Derivatives used for hedging \$ million	Available- for-sale \$ million	Other financial liabilities \$ million
Group					
2012					
Assets					
Other investments	-	-	-	11.9	-
Non-current other receivables	12.1	-	-	-	-
Finance lease receivables	52.0	-	-	-	-
Derivative assets	-	63.9	437.5	-	-
Trade and other receivables	1,401.0	-	-	-	-
Cash and cash equivalents	588.9	-	-	-	-
	2,054.0	63.9	437.5	11.9	-
Liabilities					
Trade and other payables	-	-	-	-	1,328.1
Derivative liabilities	-	89.6	1,752.8	-	-
Bank loans	-	-	-	-	4,768.8
Debt obligations	-	-	-	-	11,261.6
	-	89.6	1,752.8	-	17,358.5
2011					
Assets					
Other investments	-	-	-	6.6	-
Non-current other receivables	3.2	-	-	-	-
Finance lease receivables	63.0	-	-	-	-
Derivative assets	-	70.9	288.8	-	-
Trade and other receivables	1,497.3	-	-	-	-
Cash and cash equivalents	234.9	-	-	-	-
	1,798.4	70.9	288.8	6.6	-
Liabilities					
Trade and other payables	-	-	-	-	1,199.7
Derivative liabilities	-	109.5	1,751.4	-	-
Bank loans	-	-	-	-	4,536.6
Debt obligations	-	-	-	-	10,834.8
	-	109.5	1,751.4	-	16,571.1

NOTES TO THE FINANCIAL STATEMENTS

38 Fair values (Cont'd)

Fair values versus carrying amounts (Cont'd)

	Loans and receivables \$ million	Fair value through profit or loss \$ million	Derivatives used for hedging \$ million	Available- for-sale \$ million	Other financial liabilities \$ million
Company					
2012					
Assets					
Other investments	359.0	-	-	-	-
Derivative assets	-	-	23.6	-	-
Balances with related corporations	6,063.1	-	-	-	-
Other receivables and deposits	3.7	-	-	-	-
Cash and cash equivalents	110.3	-	-	-	-
	6,536.1	-	23.6	-	-
Liabilities					
Trade and other payables	-	-	-	-	3,930.9
Debt obligations	-	-	-	-	362.1
Derivative liabilities	-	-	20.7	-	-
	-	-	20.7	-	4,293.0
2011					
Assets					
Other investments	359.0	-	-	-	-
Derivative assets	-	-	21.4	-	-
Balances with related corporations	6,402.5	-	-	-	-
Other receivables and deposits	38.7	-	-	-	-
Cash and cash equivalents	8.7	-	-	-	-
	6,808.9	-	21.4	-	-
Liabilities					
Trade and other payables	-	-	-	-	4,205.4
Debt obligations	-	-	-	-	362.3
Derivative liabilities	-	-	18.3	-	-
	-	-	18.3	-	4,567.7

NOTES TO THE FINANCIAL STATEMENTS

39 Commitments

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Contracted but not provided for:				
- property, plant and equipment and intangible assets	2,038.7	1,744.6	3.4	21.3

During the financial year, the Group has undertaken the project to develop the 18.5km North-South and 16.5km East-West cable tunnels in Singapore to provide secure corridors for installation of transmission cable and the replacement of ageing 230kV circuits. The project is estimated at \$2 billion. At reporting date, the Group is in the process of calling for tenders for the project. The construction is expected to begin in second quarter of the financial year.

Lease receivables

At the reporting date, the Group and Company have commitments for future minimum lease receivables under non-cancellable operating lease as follows:

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Within one year	28.6	28.9	3.1	13.1
After one year but within five years	121.1	108.1	13.9	14.4
After five years	9.3	28.0	8.7	12.9
	159.0	165.0	25.7	40.4

Lease payments

At the reporting date, the Group and Company have commitments for future minimum lease payments under non-cancellable operating lease as follows:

	Group		Company	
	2012 \$ million	2011 \$ million	2012 \$ million	2011 \$ million
Within one year	30.8	48.8	7.4	22.0
After one year but within five years	100.6	117.3	34.8	31.4
After five years	30.2	48.2	21.9	28.6
	161.6	214.3	64.1	82.0

NOTES TO THE FINANCIAL STATEMENTS

40 Contingent liabilities

(a) Tax audits

During the year, a subsidiary of the Group, SP AusNet, has completed large business audits by the Australia Tax Office (ATO) in regard to the following areas:

- deductions claimed in respect of fees imposed under Section 163AA of the Electricity Industry Act 1993 in the 1999 to 2001 tax years;
- deductions claimed in respect of intellectual property referable to the 1998 tax year and each subsequent year; and
- the entry allocable cost amount (ACA) step 1 amount (relating to the cost of membership interests) when SPI Australia Group Pty Ltd joined the SP AusNet Distribution consolidated group on 2 August 2004.

Details of the key audit areas are summarised in the following.

(i) Section 163AA impost

During August 2011, the ATO issued amended assessments to SP AusNet in respect of the 2001 to 2006 income years, disallowing deductions claimed in each of those income years in respect of Section 163AA imposts. Under the amended assessments, the total amount payable is A\$87.7 million (representing A\$54.0 million of primary tax, plus an interest component of A\$33.7 million).

On 7 October 2011, SP AusNet lodged notices of objection with the ATO in relation to the amended assessments issued. The ATO has agreed to a part-payment arrangement, on the basis that the amount due is a disputed tax amount. Under the arrangement, SP AusNet paid A\$30.6 million to the ATO in October 2011. This amount has been recorded as a non-current receivable at the time of payment. A general interest charge continues to accrue in respect of unpaid tax under the payment arrangement, in addition to the total amount disclosed on the amended assessments. As at 31 March 2012, additional accrued interest on the unpaid portion is estimated to be A\$3.4 million.

In the event that the ATO does not determine the objections in favour of SP AusNet, legal proceedings, if necessary, will be initiated to bring the disputed matter before the Federal Court.

NOTES TO THE FINANCIAL STATEMENTS

40 Contingent liabilities (Cont'd)

(a) Tax audits (Cont'd)

(ii) Intellectual Property

During September 2011 and October 2011, the ATO issued amended assessments to SP AusNet in respect of the 2001 to 2010 income years, disallowing deductions claimed in respect of intellectual property in each of those income years. Under the amended assessments, the total amount payable is A\$44.3 million (representing A\$27.4 million of primary tax, plus an interest and administrative penalty component of A\$16.9 million). On 4 November 2011, SP AusNet lodged notices of objection in relation to the amended assessments issued. The ATO has agreed to a part-payment arrangement, with SP AusNet making a payment of A\$17.1 million to the ATO in October 2011.

This amount has been recorded as a non-current receivable at the time of payment. A general interest charge continues to accrue in respect of unpaid tax under the payment arrangement, in addition to the total amount disclosed on the amended assessments. As at 31 March 2012, additional accrued interest on the unpaid portion is estimated to be A\$1.7 million.

On 17 February 2012, SP AusNet submitted a written notice to the ATO, pursuant to section 14ZYA(2) of the Taxation Administration Act 1953, requiring the ATO to make an objection decision (within 60 days of receipt of the written notice) in relation to the intellectual property objections lodged by SP AusNet. As a result of the ATO not making an objection decision within 60 days, the ATO was deemed to have disallowed the intellectual property objections on 17 April 2012.

On 27 April 2012, SP AusNet lodged a notice of appeal and other documents in the Federal Court, appealing the ATO's objection decision in relation to the intellectual property matter.

(iii) Tax Consolidation

On 4 August 2011, the ATO formally advised SP AusNet that it had decided not to pursue the ACA step 1 audit and that no further action was necessary in respect of this matter.

(b) Victorian February bushfires

In early February 2009, the state of Victoria was impacted by significant bushfires. The Victorian Government subsequently established a Royal Commission of Inquiry into the bushfire crisis. The Royal Commission made a number of recommendations, two of which were then analysed by a Powerlines Bushfire Safety Taskforce (the Taskforce) established by the Victorian Government.

The Victorian Government announced on 29 December 2011 that it had accepted all of the recommendations of the Taskforce, including a package of measures over the next 10 years estimated to cost between A\$700.0 million and A\$950.0 million. These measures include the following:

- Electricity distributors to be required to install a new generation protection device across their networks over the next ten years, with funding subject to AER approval and estimated to cost A\$500.0 million;
- Target replacement of Single Wire Earth Return and 22kV powerlines in high fire loss consequence areas with underground or insulated cables. This will be based on the relative cost benefit assessment of risk reduction, with up to A\$200.0 million budgeted to be funded directly by the Victorian Government; and
- The Victorian Government intends to request an additional A\$250.0 million funding from the Commonwealth Government to further reduce risk.

NOTES TO THE FINANCIAL STATEMENTS

40 Contingent liabilities (Cont'd)

(b) Victorian February bushfires (Cont'd)

A working group is being established to include representatives of Energy Safe Victoria, electricity distribution businesses and the Victorian Government to consider the practicalities of rolling out the Taskforce initiatives and the announced Victorian Government programs. The Victorian Government has also established the Powerline Bushfire Safety Program Oversight Committee to oversee, manage and review the programs. In parallel, SP AusNet continues to enhance its processes designed to minimise bushfire risk as part of its usual continual improvement practices.

SP AusNet is a defendant in litigation that has been brought in connection with the 7 February 2009 bushfires located at Kilmore East and Beechworth, respectively. As part of these legal proceedings, SP AusNet has counterclaimed against several parties. SP AusNet denies that it was negligent. SP AusNet alleges that its conduct was at all times reasonable, in compliance with technical regulations and reasonable in light of economic regulations applicable to SP AusNet.

The parties to the Beechworth bushfire class action, including SP AusNet, agreed to settle the proceeding prior to the court hearing. The terms of the settlement involve the defendants collectively paying 40 per cent of the plaintiffs' assessed losses plus interest of 5 per cent up to a cap of A\$32.8 million. SP AusNet's share of the settlement sum is 27 per cent of the assessed losses, and its contribution is capped at A\$19.7 million. This amount will be paid by SP AusNet's insurers. The balance of the settlement sum is to be paid by the Department of Sustainability and Environment, Parks Victoria and Eagle Travel Tower Services Pty Ltd.

The settlement agreement has been approved by the Court on 16 May 2012. The settlement has been reached without admission of liability by SP AusNet or any other party.

The Kilmore East hearing is presently scheduled to commence in January 2013. This date may change. The plaintiffs in the Kilmore East proceeding are yet to identify any quantum of damages sought. SP AusNet will vigorously defend this claim.

From time to time, suggestions have been made that SP AusNet may have been responsible for, or contributed to, other fires. It is possible that SP AusNet may be involved in future proceedings concerning the possible causes of other fires, although it is SP AusNet's view that none of the fires was caused by SP AusNet's negligence. SP AusNet's position is that its conduct was at all times reasonable in light of economic regulations applicable to SP AusNet. As at the date of this financial report, SP AusNet is not aware of any further claim against it.

SP AusNet has liability insurance which specifically provides cover for bushfire liability. SP AusNet reviews its insurance cover annually and ensures it is commensurate with the scale and size of its operations, the risks assessed to be associated with its operations and with industry standards and practice.

SP AusNet's bushfire mitigation and vegetation management programs are audited annually by Energy Safe Victoria. SP AusNet had a 'zero' bushfire mitigation index throughout the 2008-09 bushfire season.

NOTES TO THE FINANCIAL STATEMENTS

41 Comparative information

The change in the classification of derivative financial instruments as mentioned in note 2.5 has had the following impact as at 31 March 2011:

	Group		Company	
	Restated \$ million	As previously reported \$ million	Restated \$ million	As previously reported \$ million
<u>Balance sheet</u>				
Trade and other receivables				
Derivative assets – current	4.2	146.5	-	0.7
Other non-current assets				
Derivative assets – non-current	355.5	233.3	21.4	20.7
	359.7	379.8	21.4	21.4
Other financial liabilities - current				
Derivative liability – current	31.4	426.9	0.1*	0.1
Other financial liabilities – non-current				
Derivative liability – non-current	1,829.5	1,454.1	18.2*	18.2
	1,860.9	1,881.0	18.3	18.3

There was no impact on the income statement, net assets or cash flows of the Group as a result of this change in approach to classifying derivative financial instruments.

* Change is less than \$0.1 million.

SINGAPORE POWER LIMITED

CO. REG. NO. 199406577N

10 PASIR PANJANG ROAD #03-01
MAPLETREE BUSINESS CITY
SINGAPORE 117438
TEL: (65) 6378 8888

www.singaporepower.com.sg